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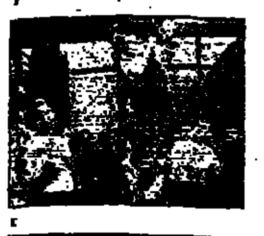
FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY JULY 20 1998



Violence at work
The daily routine of threats, bullying and assaults
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Financial information
New entrants threaten real-time data suppliers
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Jenoptik's Lothar Späth
Heroic journey of an east German political maverick
Interview, Page 8

China's economy
The government has become a fire brigade
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WORLD NEWS

Yeltsin decrees tax measures to save crisis programme

President Boris Yeltsin has overridden the Russian parliament by adopting extra tax-raising measures by decree in an attempt to salvage the government's anti-crisis programme and attract financial support from the International Monetary Fund. **Page 14**

Call to fight child pornography
German government politicians are calling for greater international co-operation and tougher laws to combat child pornography on the internet. **Page 2**

Ruling favours tobacco industry
The US tobacco industry has won a major victory after a federal judge ruled the Environmental Protection Agency had overestimated the hazards of secondhand tobacco smoke. **Page 2**

UN sets up war crimes court
The United Nations succeeded in setting up an International Criminal Court to try war crimes, genocide and crimes against humanity. **Page 3; Editorial Comment, Page 13**

Serbs pursue Kosovo guerrillas
Yugoslav security forces claimed to have killed at least 20 Kosovo Albanian guerrillas in a border ambush and to have begun driving others from the town of Orahovac. **Bold guerrilla strategy, Page 3**

Drugs 'Tsar' follows the money
US drugs "Tsar" Barry McCaffrey has targeted money laundering as a vulnerable area offering one of the best ways of fighting international drug trafficking. **Page 3**

More than 1,000 die in tidal wave
More than 1,000 people were feared dead and thousands were homeless after three tidal waves destroyed villages on Papua New Guinea's north west coast. **Page 2**

EU and Iran launch new era
European Union diplomats ended two days of formal talks in Iran in what the head of the visiting delegation called the start of a gradual improvement in ties with the Islamic republic.

Kinshasa warns money saboteurs
The Democratic Republic of the Congo, formerly Zaire, has announced that "saboteurs" of the newly launched Congolese franc could face the death penalty.

Chechnya combats armed bands
Chechen President Aslan Maskhadov is mobilising up to 5,000 extra troops to help fight groups of armed bands in the breakaway republic.

Austrians search for mine victims
Rescue workers drilled in search of the bodies of 11 men believed to have been killed in Austria's worst post-war mining disaster, in the Alpine village of Lassing.

Communists back Prodi at a price
Italy's Communists will support the government of prime minister Romano Prodi in a confidence vote this week but said they wanted more measures to combat unemployment and poverty in the south.

Villagers slaughtered in Algeria
Moslem rebels cut the throats of 11 people in a village south of Algiers four days after at least 13 villagers died in a similar massacre.

German youth backs radicals
More than a third of young voters in eastern Germany support the former communists or radical-rightist parties for the September 27 national elections, according to an opinion poll.

O'Meara wins Open
Mark O'Meara beat fellow American Brian Watts in a four-hole play-off to win the Open golf championship at Royal Birkdale in northern England.

BUSINESS NEWS

Germany's Deminex energy joint venture to end

The Deminex joint venture of the German energy companies Veba Oel, RWE-DEA and Wintershall, formed in 1969, is being broken up in an agreed restructuring, under which its oil and gas exploration and production activities will be absorbed by the venture partners. **Page 15**

Investors across the European Union will have access to new forms of collective investment, such as pan-European funds investing in futures and options, under proposals announced by the European Commission to update EU investment laws and regulation of fund managers. **Page 2**

Roche, the pharmaceuticals group, saw its shares rise 2.4 per cent after Swiss financier Martin Ebner, a major shareholder, recommended it sell its vitamins and fragrances and flavours businesses. **Page 15**

EDS, the computer services group, has won a 10-year contract to supply information technology to British Airways Engineering. The contract is believed to be worth over £100m. **Page 16**

Creation Records, UK independent record label, abandoned plans to export recordings from its internet site after pressure from Sony, the music and entertainment group. Sony holds 49 per cent of Creation's equity and international distribution rights for its acts, including best-seller Oasis. **Page 15**

WorldCom, the US telecommunications group, is claiming industry leadership with the start-up of its optical fibre network linking US and European financial centres via undersea cable with connections to 27,000 offices in the US and 4,000 in Europe. **Page 17**

US state prosecutors said they had "tightened" their antitrust action against Microsoft after dropping charges that the software leader had forced computer makers to choose its office applications programs over those of rivals. **Page 5**

Martin and Olivier Bouygues have asked the French financial markets council to allow cancellation of a voting pact with dissident shareholder Vincent Bollore, saying he has failed to act in concert on the strategy of the Bouygues construction and telecoms group. **Page 18**

Telefónica of Spain, which has wide telecoms holdings in South America, entered the Central American market by outbidding Telmex of Mexico and BellSouth of the US for a mobile phone operation in El Salvador. **Page 20**

NatWest Stockbrokers, retail broking arm of National Westminster Bank, is drawing up plans to become a marketmaker in privatisation and demutualisation shares. **Page 17**

Futures exchanges that wish to set up computer screen networks in the US could face rigorous tests under a proposal from the Commodity Futures Trading Commission, the US regulator. Tests might include the financial standing of the exchange and national reciprocity for US exchanges. **Page 14**

Loyalward, a UK resort design company, has won agreement from the monastery of Toplou to build a $825m resort on land in north-eastern Crete owned by the Greek Orthodox community. **Page 3**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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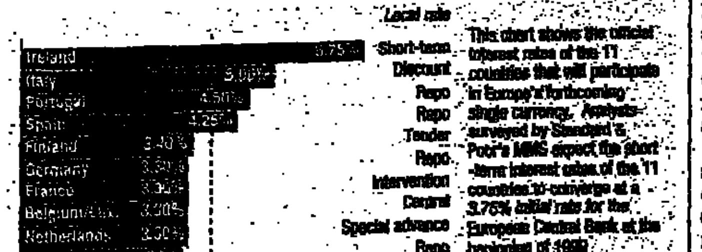
EURO INTEREST RATE CONVERGENCE



Euro prices, Page 25

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Candidates for Japanese PM promise to cut taxes

Health minister's entry into race seen as likely to split vote in party election

By Michiyo Nakamoto in Tokyo

The three candidates to succeed Ryutaro Hashimoto as Japan's prime minister pledged yesterday to cut taxes and stimulate the flagging economy.

Junichiro Koizumi, the health and welfare minister, became the third man formally to enter the race to lead the ruling Liberal Democratic Party, joining Keizo Obuchi, foreign minister, and Seiroku Kajiyama, former chief cabinet secretary.

The candidacy of Mr Koizumi is expected to complicate Friday's election to choose the next party president, following the resignation of Mr Hashimoto. Mr Koizumi is likely to split the vote, perhaps necessitating a second ballot.

The winner is virtually assured of becoming prime minister, because of the LDP's dominance in the lower house of the Diet (parliament).

The candidates yesterday took part in two unprecedented televised debates to present their positions on economic revival.

LDP leaders have traditionally been chosen in backroom manoeuvring by party factions.

By appearing in the television debates the candidates were appealing directly to the public, making the race more a contest between their policies.

They emphasised their commitment to fiscal stimulus, including tax cuts, and to dealing with the bad bank loans blamed for hindering an economic recovery.

Mr Obuchi, who is thought to have wider party support, called for permanent tax cuts of more than Y6,000bn ($43bn) and a supplementary budget of Y10,000bn. He said he would take "all kinds of measures so that the economy will grow about 3 per cent".

Mr Kajiyama stressed the need to deal aggressively with the bad loans problem. There would be "a lot of blood-letting", he warned. He is widely supported in the business community for his outspoken views on the need for bold measures to revive the economy.

Mr Kajiyama said Japanese consumers were too pessimistic and that "without confidence, Japan will sink".

Mr Koizumi, a dark horse candidate committed to fundamental reforms of the bureaucracy, reversed his cautious stance on loosening fiscal policy and said he would abolish the fiscal reform law altogether.

Mr Koizumi also proposed cutting the number of central government civil servants by half over the next 10 years and reducing the number of parliamentarians in an effort to realise his vision of small government.

Mr Obuchi, who heads the largest faction in the LDP, had initially been almost assured of victory, after winning the support of other factions in the party. Although Mr Kajiyama has wide support in the business community, he has been a relative loner in the LDP.

However, Mr Koizumi's appearance on the stage has provided the anti-Kajiyama vote with an alternative, weakening Mr Obuchi's position.

Contenders' chorus, Page 4

The candidates: health and welfare minister Junichiro Koizumi (left), former chief cabinet secretary Seiroku Kajiyama, and foreign minister Keizo Obuchi during one of yesterday's two unprecedented television debates. Picture: AP

FOREIGN EXCHANGE RESERVES FALL TO $600M FROM $1BN FOLLOWING INTERNATIONAL SANCTIONS OVER NUCLEAR TESTS

Pakistan takes measures to shore up economy

Prime minister Nawaz Sharif: set to unveil spending cuts

By Farhan Bokhari in Islamabad

Pakistan took emergency measures at the weekend to shore up its economy after disclosing its foreign exchange reserves had fallen to $600m, intensifying doubts about its ability to service its $42bn external debt.

Hafeez Pasha, deputy chairman of the planning commission, the government's chief economic policy body, stunned bankers on Saturday when he conceded that reserves had fallen to $600m from more than $1bn a month ago.

The depletion has taken place since Pakistan conducted its first nuclear tests on May 28 and prompted western economic sanctions, including measures such as the withholding of multilateral assistance from the International Monetary Fund, the World Bank and the Asian Development Bank.

A tranche of $26m from the IMF was not disbursed at the end of June when a meeting of the fund which was due then did not take place.

As part of its measures, the government raised the price of petrol by about 25 per cent, although diesel and kerosene – a common cooking fuel in the country – will not be affected.

The government said more would be saved through unspecified spending cuts – part of a contingency plan which Nawaz Sharif, the prime minister, will unveil soon – to meet the budget shortfall caused by the sanctions.

Mr Pasha said the budget announced in June had not foreseen a Rps20bn ($435m) shortfall.

"The spirit of sacrifice was not quite visible in the budget. Now that we have a fair estimate of the sanctions, the time has come that we step forward and announce measures to safeguard the interests of the economy and to face sanctions," he said.

Mr Pasha said the government expected to get its reserves back to $1bn within days, but refused to say how.

"We are going to shore [the reserves] up in days but I can't tell you how," he said.

Independent analysts said the government was probably relying on support from friendly countries in the Arab world to help tide it over the immediate crisis.

In the past month Mr Sharif has travelled to Saudi Arabia, the United Arab Emirates, Kuwait and Qatar, apparently to seek help.

No details of Pakistan's requests have been publicly disclosed, but businessmen say the government is probably looking for short-term credits in hard currency or an option to delay payments on its oil imports.

Senior officials reject growing speculation that Pakistan has not yet received any concrete assurances from the Arab world.

But businessmen say that in view of recent turbulence on the oil markets, Arab countries are facing a crunch which may make it difficult for them to come up with a large assistance package.

Strobe Talbott, US deputy secretary of state, arrives in Islamabad, the capital, tomorrow when he will press Pakistan to sign the Comprehensive Test Ban Treaty, which seeks to prohibit nuclear testing.

Pakistani economist dies, Page 4
Observer, Page 13

Oxford University to launch degree courses over internet

By Simon Targett in London

Oxford University is to offer degree courses over the internet under plans which could transform the prestige of distance learning.

The venture, part of a policy to widen access to Britain's oldest university, will offer the glittering prize of an Oxford education without students having to step inside one of the ancient colleges.

It is backed by Paul Allen, the US entrepreneur and co-founder of Microsoft, whose virtual education foundation is to fund the online courses to be launched next year.

Oxford's first online degrees will be offered to postgraduate students in medicine, computing and software engineering.

The university's elite undergraduate degrees may eventually be delivered on the internet, although there is resistance from traditionalists who think Oxford's collegiate experience must remain an essential part of any course.

Oxford tutors will supervise studies using e-mail, internet discussions and voice-based conferencing. Occasional face-to-face meetings in Oxford may be built into the programme.

The masters degrees will be studied part-time and will typically take four years to complete. The work will be staged, the first two years leading to a certificate, the third to a diploma, and the fourth resulting in an Oxford masters degree.

Examinations are expected to be held in Oxford but foreign-based students may be permitted to use the network of British Council offices around the world.

Oxford's first online masters students are scheduled to begin their studies within five years, after the university's phased introduction of the internet degree programme.

Two courses will be offered in January: a two-year course in computing costing £1,200 and a £600 one-year local history course. An internet course in immunology is planned to start three months later.

Geoffrey Thomas, director of the university's department for continuing education, said the courses would bring the Oxford tutorial within the reach of the distance learner. They would be designed around a new concept of online tutorial support and would allow part-time students to study at their own pace.

Dr Thomas welcomed the $500,000 development grant from Mr Allen's foundation, saying it would "help ensure that Oxford's position as a leading university is reinforced via the global medium of the internet".

Business education, Page 10

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WORLD NEWS

Bonn urges net clampdown on child porn

By Peter Norman in Bonn

German government politicians are calling for greater international co-operation and tougher laws to combat pornography involving children on the internet.

The demands reflect shock and outrage following the widely publicised discovery last week of an internet child pornography ring in the Netherlands.

The ring is thought to have had links with Berlin and have been behind the disappearance of a 12-year-old boy from the city in 1993.

Chancellor Helmut Kohl signalled yesterday that he would seek "an intensification of international co-operation for the protection of children and juveniles" following last week's discoveries in the Dutch seaside town of Zandvoort. According to press reports, investigators found more than 9,000 photographs and computer discs showing the sexual abuse and torture of children.

Theo Waigel, finance minister and leader of the Bavarian Christian Social Union, called at the weekend for "an international legal convention against child pornography on the internet". He proposed this be put on the agenda of the next European Union summit.

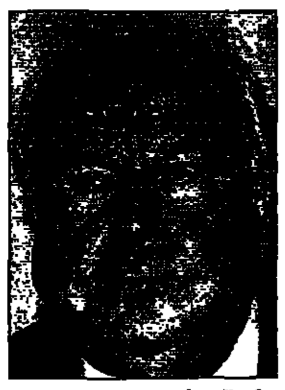
Jürgen Rüttgers, Bonn research and technology minister and a member of Mr Kohl's Christian Democratic Union, said a world wide "net code of conduct" was needed to set internationally agreed minimum standards and called on the United Nations to take up the issue in a "world internet conference".

Manfred Kanther, Bonn interior minister, told yesterday's Welt am Sonntag newspaper that he had "ordered the federal office for the security of information technology to improve the ability of the police to investigate in the internet through the development of the most modern software".

The Netherlands case was discussed on Friday by the Bonn cabinet. Klaus Kinkel, the foreign minister who chaired the meeting, said afterwards that censoring the internet was not the answer to the problem.

The cabinet urged Germany's federal states, which are responsible for police matters, to co-operate more closely in the fight against child pornography and suggested they follow Bavaria's example and employ "cyber-cops" to monitor the internet.

Edmund Stoiber, Bavaria's CSU prime minister, said his state would introduce legislation in the Bundesrat, the second chamber of parliament in Bonn, to allow telephone tapping to help crack down on child abuse and pornography.



Helmut Kohl: joined calls for international co-operation to protect children and juveniles

EU to widen investor access

By Samer Iskandar in Brussels and Jane Martinson in London

Investors across the European Union will have access to new forms of collective investment under plans announced last week by the European Commission.

The two proposed amendments aim to update existing EU laws for collective investments and modernise the regulation of fund managers. If adopted by EU finance ministers, they would open some markets to new forms of pan-European investment funds, such as funds investing in futures and options. Such vehicles currently exist in some EU countries.

Investment associations in the UK – with the biggest fund management companies in Europe – welcomed the plans.

However, Phillip Warland, director-general of the Association of Unit Trusts and investment funds, was disappointed at a failure to put forward a much broader proposal.

"If they continue to define funds like this they are always going to be 10 years out of date," he said.

The proposals come just a few months ahead of January's introduction of the European single currency, the euro, which the Commission believes will help remove the remaining psychological barriers that prevent investors from shopping around for investment vehicles in other countries.

The first proposal would allow collective funds to invest in a wider range of liquid financial assets, including futures and options, bank deposits, shares in other funds and money market assets.

Existing EU regulation is limited to listed securities, mainly shares and bonds.

Under the second amendment, management companies would be awarded a European Passport under a harmonised authorisation procedure, allowing them to offer their products in all member states. Such European Passports already exist for banks, brokerage houses and insurance companies.

The proposals are a toned-down version of a 1993 plan to replace EU law dating back to 1985 with a simplified directive. The plan was dropped when the Commission failed to gather enough support from member states.

Payment system price war looms

By George Graham, Banking Editor

Europe's high value payment systems could be heading for a price war against the background of massive overcapacity after the introduction of the euro next year, according to a new study from Boston Consulting Group, the management consultancy.

Each European country is required to have its own real time gross settlement system to hook up to the Target payments network operated by the European Central Bank.

But Germany, France, the UK and the multinational Euro Banking Association are all building competing systems to handle large volumes of euro payments, and look set to undercut Target on price.

Nick Viner, a vice-president at BCG, estimates that there are currently around 320,000 high value payments a day in the 11 countries which are entering monetary union.

Germany's EAF, the UK's Chaps Euro, France's TBF and the EBA's own clearing system are between them adding enough capacity to handle another 744,000 payments a day. "EAF alone could theoretically handle the whole of current demand for high value payments," Mr Viner said.

Other payments specialists, however, point out that predicting payment volumes after the introduction of the euro is difficult. "For the major systems, there will be plenty to share around," said Eric Sepkes, a vice-president at Citibank and deputy chairman of the EBA.

Most of the costs of payment systems like EBA or EAF are fixed investment costs rather than running expenses, so they will have an incentive to attract as much volume as possible in order to spread the cost widely. EAF has already cut its prices to an estimated 0.25 euro per payment, forcing the ECB, which had expected to charge 1.50-3.00 euro for a Target payment, to cut its price to 0.80 euro.

Smaller payment systems in countries such as Portugal or Belgium will find it hard to compete on price with these high volume competitors.

Doubts over Kok coalition spending plans

By Gordon Cramb in Amsterdam

Wim Kok, the Dutch social democratic leader, will this week begin forming his second cabinet, after parties in the country's three-way coalition agreed a government programme for the next four years.

The accord endorsed late on Friday by his PvdA party, the free market VVD and the centrist D66 comes more than 10 weeks after they gained a general election mandate to continue their reforms.

Mr Kok, prime minister since 1994, is to call on Queen Beatrix as early as today for approval to form a new administration. He intends to give it a more socially conscious face, while continuing deregulation and revamping a burdensome tax system.

But business and union leaders both questioned the economic assumptions at the heart of the spending plans. These include an expectation that annual wage increases generated by collective bargaining will average only 1.5 per cent – at a time when the FNV, the largest trade union federation, is pushing for rises next year of 1.5 percentage points above the rate of inflation.

Dutch consumer prices are growing at 2.2 per cent a year, and a tight labour market strengthens the unions' hand. Lodewijk de Waal, FNV chairman, said there was no question of moderating wage demands merely because fiscal reforms to be delivered in 2001 might benefit its members.

The VNO-NCW, the main employers' federation, warned the deal hammered out by party negotiators did not take adequate account of a cyclical downturn in EU economies which could be expected during the next few years. It said the chance was being missed to cut public debt and deficit levels while conditions allowed.

Some economists fear that in a recession the deficit could breach the ceiling of 3 per cent of gross domestic product agreed as a cornerstone of European monetary union, although it stands now at only half that level.

The government accord is based cautiously, however, on an average 2 per cent real economic growth, compared with the current 4.2 per cent. The VVD's Gerrit Zalm, due to stay on as finance minister, has extracted from the parties a commitment that any windfalls would be devoted to reductions in the deficit or in taxes, rather than to extra spending programmes.

Els Borst is thought likely to retain her health portfolio and become one of two deputy prime ministers. Last year she took over the D66 leadership from Hans van Mierlo, the outgoing foreign minister. The other deputy premiership, to which the VVD is entitled, may go to Annemarie Jorritsma, transport minister in the last government.

Ms Jorritsma, has been mentioned as a possible successor in Mr van Mierlo's cabinet slot but may settle for a post such as economic affairs.

West European new-car registrations
January-June 1998

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jun 98	Share (%) Jan-Jun 97
TOTAL MARKET	7,510,067	+7.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group*	1,312,921	+7.8	17.5	17.5
– Volkswagen	783,578	+2.8	10.4	10.9
– Audi	256,297	+7.5	3.4	3.4
– Seat	195,914	+19.4	2.6	2.4
– Skoda*	77,132	+46.3	1.0	0.9
Fiat group##	888,158	+2.5	11.8	12.4
– Fiat	687,777	–3.2	9.2	10.2
– Lancia	102,847	+14.8	1.4	1.3
– Alfa Romeo	97,131	+47.8	1.3	0.9
PSA Peugeot Citroen	856,354	+12.5	11.4	10.9
– Peugeot	489,932	+11.3	6.5	6.3
– Citroen	366,422	+14.2	4.9	4.6
General Motors#	840,602	–1.8	11.2	12.3
– Opel/Vauxhall	796,391	–3.0	10.6	11.8
– Saab**	39,086	+22.6	0.5	0.5
Ford group#	812,261	+2.0	10.8	11.4
– Ford	800,048	+1.7	10.7	11.3
– Jaguar	12,213	+25.9	0.2	0.1
Renault	773,568	+17.4	10.3	9.4
BMW group	429,546	+1.7	5.7	6.1
BMW	230,083	+1.0	3.1	3.3
Rover	199,463	+2.5	2.7	2.8
Mercedes-Benz	304,212	+22.4	4.1	3.6
Volvo	127,178	+3.6	1.7	1.8
Toyota	228,315	+19.2	3.0	2.7
Nissan	224,072	+7.1	3.0	3.0
Honda	118,266	+5.6	1.6	1.6
Mazda	108,589	+10.0	1.4	1.4
Mitsubishi	98,027	+8.1	1.3	1.3
Total Japanese	900,318	+11.2	12.0	11.6
Total Korean	181,803	+33.0	2.4	2.8
MARKETS:				
Germany	1,939,766	+4.5	25.8	26.8
Italy	1,380,100	+6.4	18.4	18.5
United Kingdom	1,136,882	+7.8	15.1	16.1
France	865,119	+10.3	11.5	11.2
Spain	590,708	+15.8	7.9	7.3

*VW holds 70 per cent and management control of Skoda. # Includes cars imported from US and sold in western Europe. **GM holds 50 per cent and management control of Saab Automobile. ## Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati. Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Popular new models fuel sharp gains

By Haig Simonian, Motor Industry Correspondent

The paradox of long waiting lists for the most popular new models but chronic overcapacity in general looks set to continue in Europe's new car market.

Registration figures for the first six months of this year show sharp gains for manufacturers producing the hottest new models.

Renault's European market share climbed to 10.3 per cent on the back of booming demand for its Mégane Scénic people carrier. Renault's European sales jumped by almost 26 per cent last month, year on year, to nearly 121,000. Mercedes-Benz also benefited from the polarisation of demand. Sales rose by more than 22 per cent in the first six months thanks to increased output of its highly popular new sports models and the impact of its new A Class small car.

NEWS DIGEST

US TOBACCO BATTLE

Hazards of secondhand smoking 'overestimated'

The besieged US tobacco industry has won a big victory after a ruling by a federal judge that the Environmental Protection Agency had overestimated the hazards of secondhand tobacco smoke.

The EPA said in 1993 that secondhand smoke was responsible for 3,000 lung cancer deaths each year. The report led many restaurants, theatres and office buildings to ban or contain smoking.

The tobacco industry said the study was wrong and took its case to court. According to the Washington Post, a US district court judge in North Carolina – a big tobacco growing state – has agreed with the industry that the EPA erred in its risk assessment. **Nancy Dunne, Washington**

CHINESE FLOODS

Death toll rises to 1,000

Floods across much of China have killed around 1,000 people this summer and resulted in direct economic losses of RMB85.6bn ($10.3bn), mainly through crops being washed away and buildings collapsing, the official Chinese news media said at the weekend.

There was also a scare that a crest of floodwater shooting down the Yangtze river might threaten the $29bn Three Gorges dam, which is under construction. In the end, the waters passed the dam safely. **James Kynge, Beijing**

SINGAPORE PM'S LIBEL SUIT

Damages increased fivefold

The Singapore Court of Appeal awarded Goh Chok Tong, the prime minister, five times the damages awarded him by a lower court last year in a high-profile defamation case.

The case stems from a statement by a political opponent at a campaign rally that police reports had been filed against Mr Goh. The prime minister sued to protect his credibility. The lower court ruled that J.B. Jeyaretnam's statement was defamatory as it could lead people to believe Mr Goh could be investigated for wrongdoing. It awarded Mr Goh S$20,000 ($11,600) in damages.

Critics said the lawsuit was unnecessary. Singapore's ruling People's Action party had just scored its biggest electoral victory in 16 years, winning 81 out of 83 seats in parliament on January 2 1997. Many believed the lawsuit was politically motivated to intimidate the opposition. The Singapore Court of Appeal awarded Mr Goh S$100,000 on Friday.
Sheila McNulty, Kuala Lumpur

SOUTH AFRICA CREDIT

Moody's reviews rating

Moody's Investors Service, the rating agency, yesterday placed South Africa's Baa3 credit rating on review for possible downgrade.

Moody's is concerned by South Africa's inability to generate jobs, by the fact that it has undergone two years of slowing economic growth and by recent turbulence in domestic financial markets.

It said a "major structural dilemma" of the economy was its inability to generate new jobs. Real wages were rising faster than growth in productivity, and recent financial market volatility had prevented an upturn in the business cycle.

The South African finance ministry said yesterday it was confident the rating would be retained, based on the country's "underlying sound economic fundamentals and prudent economic policies". **Jeremy Grant, London**

SDP SHADOW MINISTRY

Schröder appoints publisher

Gerhard Schröder, the opposition Social Democrat party challenger to Chancellor Helmut Kohl in September's general election, has gone outside the traditional party structure for a third time to fill a shadow ministerial post.

Mr Schröder named Michael Naumann, a 56-year-old publisher and former journalist, to be "state minister for culture" in the federal chancellery, should he win the election. This would be a new post. Mr Schröder earlier chose Jost Stollmann, a computer entrepreneur, to be economics minister and Walter Riester, a trade unionist, to be labour minister.

Mr Naumann, who has run a publishing company in New York since 1996, formerly headed the Hamburg-based Rowohlt publishing house after holding journalistic posts with Die Zeit newspaper and Der Spiegel. **Peter Norman, Bonn**

PAPUA NEW GUINEA DISASTER

Tidal wave kills 600

A tidal wave spawned by an earthquake measuring 7.0 on the Richter scale crashed into Papua New Guinea's north coast, crushing villages and killing nearly 600 people, officials said yesterday.

The 23-foot wall of water hit the coast west of Aitape on Friday night without warning following an earthquake about 12 miles off the Papua New Guinea coast.

ABC radio, a government-owned corporation, quoted Australian army officials yesterday as saying the death toll could rise to as high as 2,000 people, but that figure could not be confirmed by the PNG government. **AP, Port Moresby**

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LEGAL NOTICES

No: 003767 of 1998
In the High Court of Justice
Chancery Division Companies Court
In the Matter of COOKSON GROUP plc
and In the Matter of the
Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 2 July 1998 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £478,000,000 to £476,000,000 by (inter alia) returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 29th day of July 1998.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 16th day of July 1998
LINKLATERS & PAINES (OTL)
One Silk Street, London EC2Y 8HQ
Solicitors for the above-named Company.

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هكذا من الأصل

Serbs retaliate as KLA launch bold offensive

By David Buchan in Belgrade

The Kosovo Liberation Army (KLA) launched a bold strategy at the weekend by attempting to take a town centre and by bringing several hundred new fighters over the border from Albania.

However, it provoked a heavy reprisal, according to Yugoslav army and Serb police who claimed to have killed "at least 20" KLA members and captured eight more.

The KLA has been talking of mounting a "summer offensive", but in taking on police in Orahovac city centre and trying to get reinforcements past army border patrols, it may have overreached itself. Serbian security forces have recently been measured in their response – not least because of the increased presence of international monitors watchful for any Serb offensive that could trigger Nato intervention.

But there were signs yesterday of heavier Serb retaliation, with reports that the Serbs were using artillery and mortars against villages and helicopter gunships along the border of Kosovo and Albania.

Yugoslav soldiers near Mount Djeravica on the border with Albania confiscate weapons smuggled into Kosovo Reuters

The weekend clashes came as a delegation from the Organisation for Security and Co-operation in Europe (OSCE) ended talks with Kosovar Albanian leaders in the provincial capital of Pristina and moved on to Belgrade for talks with Serb leaders. The OSCE is trying to activate Serb-Albanian talks under the mediation of Felipe González, former Spanish prime minister, but this initiative has been hampered by a disagreement over whether Yugoslavia should rejoin the OSCE.

OSCE ambassadors said their mission was not aimed at breaking this diplomatic deadlock, but at fact-finding. However, the delegation's German leader, Hansjurg Eiff, stressed the urgency of foreign mediation.

The pro-government Politika newspaper published in Belgrade yesterday denounced opposition Serb politicians for their talks in Pristina last week with ethnic Albanian politicians.

Albanians from Orahovac yesterday asked a US diplomat to send international observers to their town, the site of street fighting since Friday. Serb police yesterday claimed to have regained control of the town centre, after pushing back an attack on the main police station on Saturday by the KLA who then took up positions in the post office, a health centre and a school.

The Albanian government in Tirana yesterday protested that the Yugoslav army and Serb police had crossed into Albania in pursuit of KLA reinforcements. Serb sources claimed to have ambushed KLA troops coming in from Albania. At least 20 had been killed , while many others had fled dropping their weapons.

DRUG TRAFFICKING WHITE HOUSE ADVISER IDENTIFIES VULNERABLE AREA OF ATTACK

US targets money laundering

By Peter Wise in Lisbon

Barry McCaffrey, the US drugs adviser, has targeted money laundering as a vulnerable area offering one of the best ways of fighting international drug trafficking, "the biggest crime organisation in the history of the world".

"You can't hide billions and billions of dollars or move them around physically," said Mr McCaffrey, director of the White House Office of National Drug Control Policy. "They have to be turned into transactions, 'cybercash', credit cards or offshore accounts."

The former US army general, speaking after meeting specialists at the European Monitoring Centre for Drugs and Drug Addiction in Lisbon, said intelligence reports showed money laundering was prominent among several vulnerable areas for attacking international drug crime. A financial enforcement centre set up in the US five years ago with a staff of 300 and a \$200m computer system was beginning to show results and was exchanging information with Interpol and similar centres in Panama, Colombia and Mexico, he said.

No comparative financial value could be established for illicit drugs, according to Mr McCaffrey. "America spends \$57bn a year on illegal drugs and a heroin addict in the US spends \$200 to \$400 a day. But an addict in Pakistan spends only \$3 to \$5 a day on the same amount of the same drug."

Mr McCaffrey's meeting at the Lisbon centre, set up by the European Union in 1995 to provide information on drugs and drug addiction to policy-makers and professionals in the member states, came at the end of a fact-finding visit to five European capitals.

He said European experience could be particularly beneficial to the US in treatment for addicts. From a total of 455,000 heroin addicts in the US, 150,000 were attending treatment programmes using methadone as a substitute for heroin at 800 clinics. But many of these programmes were not successful because dosage was controlled by policy rather than by doctors.

Monastery in Crete resort venture

By Kerin Hope in Athens

The Greek Orthodox monastery of Toplou has joined with Loyalward, a UK company which designs tourist resorts, to build a \$825m luxury resort on Crete.

The resort, to be built on a promontory in north-eastern Crete owned by the monastery, would be the biggest foreign investment in Greece for more than a decade. It would include five tourist villages with a total of 7,000 beds, a port and marina, and three golf courses.

Chris Egleton, Loyalward's chairman, said construction would start next year with the aim of completing much of the complex by 2004, the year that Greece stages the Olympic Games. The resort would create more than 3,000 permanent jobs.

The deal marks a significant shift in policy by Greece's Socialist government, which has come under pressure from the European Commission to lift barriers to foreign investment. The Socialists have a record of blocking foreign investment in tourism, citing the risk of damage to Greece's ancient heritage and objections by local residents.

Last year, the culture ministry rejected a proposal by the UK's Virgin group to build a \$120m luxury hotel on the island of Hydra.

Loyalward, a private company based in Aberdeen, Scotland, won an international tender in 1993 to develop the site.

Abbot Philotheos of Toplou said a 10 per cent share of the resort's turnover would be used to fund education and training for local residents, environmental protection and the revival of traditional occupations. Construction of the resort would be financed through shareholders' equity and bank lending. It would be built by a consortium of Greek contractors. International hotel chains would be offered contracts to operate the tourist villages.

Diplomats deliver judgment on new war crimes court

After weeks of wrangling, doubts still linger over powers of UN institution as US and Israel decide to opt out

By James Blitz in Rome

It is over. After five weeks of intense talks in the summer heat of Rome, the United Nations has achieved the 50-year dream of setting up an International Criminal Court to try war crimes, genocide and crimes against humanity.

After an often acrimonious conference which saw the US trying to water down the powers of the court – only to end up voting against the creation of the body altogether – world leaders have been hailing the birth of the new institution. The final act setting up the court was approved in the early hours of Saturday morning by 120 states and opposed by seven countries – the US, India, China, Israel, Bahrain, Qatar and Vietnam.

Approval of the act means that, within a few years, the UN will have a court in The Hague which can try a wide range of war crimes and whose existence might deter military aggression.

However, as weary-looking delegates started to make their way home, debate was starting over whether the new institution had enough power to be effective.

Canada and much of the European Union which have always sought a strong court said the final act had achieved the fundamental goal they were seeking. The court is to have a self-starting prosecutor who can trigger a case without the approval of any other body.

There had been repeated attempts by the US – which feared the possibility of its soldiers being brought to trial – to make court investigations dependent on preliminary approval from the UN Security Council.

"That would have politicised everything the court did and was fortunately ruled out," said one diplomat. Moreover, the scope of the court's jurisdiction is wider than expected. It will be allowed, for example, to investigate war crimes committed in internal armed conflicts, including those between two rebel factions. It can also prosecute the enlistment of solders younger than 15.

Israel, which had campaigned for many years for the establishment of an international criminal court, voted against it on the advice of its attorney general and Benjamin Netanyahu, the prime minister.

It objected to a clause, drawn up by Egypt, which deemed that a war crime included "the transfer, directly or indirectly, by the occupying power of parts of its own civilian population into the territory it occupies..."

Alan Baker, legal adviser to the Israeli foreign ministry, said the clause was "politically motivated" and referred to Israel's settlement policy.

But diplomats and human rights activists said three factors looked set to weaken the authority of the court.

The most important is the absence of the US from the list of signatories. The US has a larger number of troops serving overseas than any other country.

The US military has long been concerned that its personnel could fall victim to politically-motivated cases brought before the court. Knowing that the creation of the court has been of little interest to the public at home, the US used aggressive diplomacy to try and water down the institution's powers.

Washington's tough stance has surprised its traditional allies. "There are so many safeguards built into the treaty that the chances of a US soldier being hauled before the court are minute," said Lloyd Axworthy, Canadian foreign minister.

But these assurances were insufficient for the US which battled – and failed – to get a written guarantee that no soldier could ever appear before the court without his country's permission.

The second concern – mainly expressed by human rights groups – is that the court will not be able to call "travelling dictators".

The court will only be able to prosecute where crimes have been committed either by a state that has signed the treaty or on the territory of a signatory. The fear of human rights groups is that many prosecutable crimes against humanity take place within the boundaries of a state that will never ratify the document anyway.

The third factor that may weaken the court is a seven year opt-out clause from the war crimes section of the treaty. The clause was written into the document to try and get the US and France, both of whom had reservations about the implications for their military, to sign up at the last minute.

In the end, the opt-out clause was good enough to get French support and means that soldiers from France will be immune from war crimes prosecutions until 2006. But the concession was not enough to convince the US.

"Privately, the US diplomats here have been telling me that they were very happy to sign the thing," said a senior figure in one western delegation. "But they were unable to overcome the paranoia of the Pentagon."

Additional reporting by Judy Dempsey in Jerusalem

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JAPAN'S PREMIERSHIP RACE DIFFERENCE LIES IN DETAIL AS ALL THREE CANDIDATES CALL FOR FUNDAMENTAL REFORM OF TAX SYSTEM

Contenders in chorus on economy

By Michiyo Nakamoto in Tokyo

Bill Clinton would have been proud of the performance. In public television debates that will be important in determining Japan's next prime minister, all three candidates from the ruling Liberal Democratic party echoed the US president's famous message: that "it's the economy, stupid."

It is a message the US has been drumming into Japan for months, particularly since the Asian currency crisis raised the spectre of a sharp slowdown in the world economy. Ironically, it has taken the departure of Ryutaro Hashimoto as the prime minister initially hailed by western governments as Japan's saviour, to allow the message finally to get through.

Keizo Obuchi, Seiroku Kajiyama and Junichiro Koizumi, who are competing to become president of the LDP – a ticket to becoming prime minister – were absolutely clear over the weekend that their top priority would be to get Japan's economy back on track.

Although the three come from different backgrounds and have different political styles, their remedies for Japan's woes were predictably similar.

All are calling for permanent tax cuts and fundamental reform of the Japanese tax system which is criticised for being hard on high earners.

They also emphasise the importance of dealing with banks' problem loans through greater disclosure and steps to bring banks' management to account. The three also want a fundamental review of government expenditure and say they will push through administrative and fiscal reform in the long term to fund the government's growing deficit.

"The LDP knows what it wants to do and has to do," said John Neuffer, political analyst at Mitsui Marine Research Institute. "So there is no question that whoever becomes prime minister, there will be major fiscal stimulus, there will be tax cuts and they will deal with the bad loans."

The differences between the three candidates lie more in the detail.

Mr Obuchi, current foreign minister, surprised critics with his clear programme for permanent tax cuts of Y6,000bn ($43bn) and a supplementary budget worth about Y10,000bn. Among the three candidates, he has been considered the most inexperienced in economic affairs, but he is the only one to announce figures with his proposals.

Mr Obuchi also spelled out proposals to cut the highest income tax rate from 65 per cent to 50 per cent and to reduce corporate taxes from 45 per cent to 40 per cent.

In defiance of his reputation as a weak leader, Mr Obuchi also called for strict disclosure by the banks of their problem loans, the need to bring management to account and to deal with the problem loan debacle by March 2001.

Mr Kajiyama, who has written and spoken extensively about the need to deal with the banks' problem loans, was less explicit than might have been expected. He has taken the most aggressive stance on dealing with the problem. However, his calls for tax cuts, tax reforms and small government remain vague.

Mr Koizumi, the dark horse in the contest, has called for bold action on administrative reforms to reduce government expenditure and bring the government's finances back in order.

In order to pay for proposed tax cuts and bring Japan's finances under control, Mr Koizumi is proposing to cut central government civil servants by half and slashing the number of parliamentarians over the next 10 years.

The question is, whether the successful candidate will be able actually to implement his proposals. For that, it will be important they have the backing of influential members in the LDP.

As the leader of the largest faction, Mr Obuchi has the support of the middle ranks and influential party elders, notably Noboru Takeshita, a former prime minister.

But if either Mr Kajiyama or Mr Koizumi won the race, it could cause disruption to LDP harmony since both face strong opposition from influential groups within the party.

The unprecedented public show of rivalry between the three candidates in this week's race for the LDP leadership could – depending on the outcome – upset a smooth handover from Mr Hashimoto.

"The big question is will the party be able to kiss and make up," Mr Neuffer said. "If not, there will be disarray and that is not good for the economy. That is not good for Japan or the world."

Press scrum around Seiroku Kajiyama outside LDP headquarters in Tokyo

Mahbub ul-Haq, Pakistani economist, dies

By Farhan Bokhari in Islamabad

Mahbub ul-Haq, former Pakistani minister and internationally renowned development economist, died on Thursday in New York at the age of 64. He was buried yesterday in Islamabad.

Mr Haq was author of the first annual report of the United Nations Development Programme (UNDP), which measured a country's development by indicators such as life expectancy and health standards rather than just economic growth. He spoke proudly this year of the inspiration which subsequently led more than 100 countries around the world to produce their own statistics on human development.

In his native country, he lived a simple life, but was periodically caught up in controversy over his criticism of failed economic policies. After launching this year's human development report he said: "My greatest frustration has been that while it [human development] has been taken seriously by many countries, Pakistan has not taken it seriously."

His remarks on Pakistan were based on years of experience in powerful jobs such as the deputy chairman of the planning commission, planning minister and finance minister. Before returning to Islamabad two years ago, he spent more than six years in New York, advising the UNDP on its policies towards human development.

While some of Pakistan's most committed leftwing politicians denounced his decision to serve as minister under the country's last military dictator, conservatives found his ideas, especially his attacks on the landed aristocracy, unpalatable.

But even his critics recognised his innovative work. Nusrat Ali Shah, a politician and landowner, said: "He had a fertile and highly creative mind. But because of his bias towards the rural classes, he did not realise that Pakistan's economy is based entirely on rural output: cotton, wheat, rice and sugar-cane."

It is still early to predict the future of the "Human Development Center" he established near Islamabad's diplomatic enclave. Khadija, his wife, also an economist, who co-authored this year's report, is likely to carry on her husband's work. But many doubt if the message would carry the same influence.

A government official who worked with him at the finance ministry said: "The strength of his message was driven both by its content and by the power of his personality, the association with civil and military regimes, and the domestic as well as the international scene. It's hard to combine all that again."

Netanyahu faces health plans revolt

By Judy Dempsey in Jerusalem

The Israeli government faces a rebellion from one of its coalition partners today over plans by the finance ministry to introduce additional monthly payments for medical services.

The plans, spearheaded by Yaakov Neeman, finance minister, envisage raising Shk350m ($95m) from the public to meet part of the Shk1.4bn deficit accumulated by the four health insurance funds. The government will provide Shk450m while the remainder would be met by increased efficiency in hospitals.

But Shas, the ultra-Orthodox party in the coalition, said it would vote against the plan when the Knesset finance committee met today. "I don't care if the health minister has already agreed to the proposals. We will block them if we cannot make amendments," said Shlomo Benizri, deputy health minister and a Shas leader.

Shas, which has 10 seats in the Knesset and holds the balance of power in the coalition of Benjamin Netanyahu, prime minister, has decided to take on the government because it believes the less well-off would be hit hardest by the plans. The core of the party's supporters are blue-collar workers with large families. "They won't be able to meet these new payments," said Mr Benizri. United Torah Judaism, the other ultra-Orthodox party in the coalition, yesterday said it might vote against the plans as well.

Under the plan, members of the health insurance funds would pay a monthly sum, determined by the funds. The maximum would be Shk55 per family. Furthermore, families seeking treatment from specialists or out-patient departments would pay a maximum of Shk160 a quarter, although those on very low incomes would be exempt from some payments. The price of prescription drugs would increase some 30 per cent.

The new payments are in addition to health insurance fee paid by employees, which amount to 4.8 per cent of taxable income, or up to a ceiling of $900 a month. Employers, however, do not contribute to the health funds. Their contribution was scrapped in 1994 to reduce labour costs and compensate employers for cuts in government subsidies for employment.

Mr. Neeman has insisted the new payments are "not a tax but a payment for services", saying that "the health funds are in a bad situation and their financial difficulties must be dealt with".

Negotiators aim to break peace talks deadlock

Senior Israeli and Palestinian negotiators met last night in an attempt to break a 16-month deadlock in the Middle East peace talks, Judy Dempsey writes.

The meeting between Yitzhak Mordechai, Israeli defence minister, and Mahmoud Abbas, also known as Abu Mazen, was the first high-level contact since March 1997 when Israel started building a new Jewish settlement at Har Homa in east Jerusalem.

The agenda focused on a US proposal recommending that Israel hand over 13.1 per cent of West Bank land to the Palestinians in a combined first and second Israeli troop redeployment. Yassir Arafat, president of the Palestinian Authority, has accepted the proposals but Israel wants to hand over about 10 per cent, holding the remainder in a special category that would allow it to retain full security.

The atmosphere was marred by a car which blew up near the centre of Jerusalem. Police said it was a car bomb with huge amounts of chemicals. It was the first attempted bombing in the city since last summer when 26 people were killed in two suicide bomb attacks.

CONTRACTS & TENDERS

CHINESE TELECOMMUNICATIONS STATE-RUN COMPETITOR ALLOWED TO START BUSINESS IN COASTAL CITY OF TIANJIN

Telecoms leader suffers monopoly breach

By James Kynge in Beijing

China's dominant state telecommunications company, China Telecom, suffered the first breach of its nationwide fixed line monopoly at the weekend after a state-run competitor was allowed to start business in the coastal city of Tianjin.

The decision to grant Unicom, the second state operator, interconnection to China Telecom's network in Tianjin brought to an end more than a year of official resistance and delay.

The interconnection means that customers of Unicom's relatively meagre 50,000-line network may call within the city or beyond it using lines belonging to China Telecom.

Xinhua, the official Chinese news agency, hailed the move as the "beginning of the end of the monopolistic situation" in fixed line telecoms. But it was unlikely that foreign companies would be granted permission to operate networks for several years yet, analysts said.

In spite of a ban on foreign companies operating any form of telecoms service in China, two foreign companies were set to derive revenue indirectly from Unicom's new business.

Sprint, the US telecoms operator, and Sumitomo Corp of Japan put up capital to roll out Unicom's network in Tianjin through a local subsidiary. They were expected to be allocated a share of the network's operating revenue, company executives said.

Signs of competition are already evident. Unicom was offering installation from RMB805 ($97) compared to China Telecom's RMB3,700 standard fee. But, according to local television reports, China Telecom countered by offering clients a discount on installation as long as they undertook not to use "other operators".

The partial breach of China Telecom's fixed line monopoly was one of the first tangible fruits of the reorganisation of China's ministries announced in March.

The new telecoms ministry, the ministry of information industry (MII), is an amalgamation of the formerly rival ministries of posts and telecommunications (MPT), electronic industry (MEI), and parts of the ministry of radio, film and television.

The merger reduced competition between the MPT, which was China Telecom's parent organisation, and the MEI, one of Unicom's main shareholders, analysts said. The MII controls both companies.

Zhu Rongji turns from trailblazer into firefighter

The Chinese premier's mission to reform state enterprises has fallen prey to short-term problems, writes James Kynge

When Zhu Rongji assumed China's premiership in March, he pledged to blaze his trail no matter if "a minefield or an abyss" lay ahead.

But just five months on, his mission to reform China's creaking state-owned enterprises and indebted state banks is being eclipsed by the need to deal with multiple eruptions of more immediate problems.

"The government has become a fire brigade," says one Chinese commentator. A ministry official puts it differently: "Mr Zhu knows that in China you cannot sacrifice short-term stability for long-term goals."

Threats to stability have come mainly from ballooning unemployment and the stress that slowing economic growth is imposing on hundreds of ill-regulated, non-bank financial institutions in many regions.

China announced last week that gross domestic product growth had slowed to 7 per cent in the first half of 1998, throwing into doubt the 8 per cent growth target which is Mr Zhu's central policy promise for this year.

Last year, gross domestic product climbed 8.8 per cent but slipped back in the first quarter of this year to 7.2 per cent.

Another fire in need of dousing is the rampant smuggling of imports which, the government has admitted, is being perpetrated partly by people in the Communist party and the People's Liberation Army.

Evidence of a slowdown in the reforms to more than 300,000 state-owned companies came in a decree earlier this month which banned the "random" sale of small state enterprises.

Officials say the restructuring of large and medium-sized corporations has also been delayed, mainly because of concern that the faltering economy was failing to create enough jobs for ranks of restive laid-off workers.

Economists say delayed enterprise reform – which in effect means slower privatisation – will prolong industrial inefficiency and the wasteful allocation of bank loans. Statistics show the private sector has become the main engine of growth; whereas sales by the state sector fell 5.3 per cent to RMB301bn ($36bn) in the first half, those from private companies climbed 15 per cent to RMB504bn against the same period a year ago.

The postponement of reforms may also hamper China's ability to open its markets to foreign competition, and therefore compromise its negotiations to enter the World Trade Organisation (WTO).

A trade official says: "I can't see much hope for WTO entry this century unless the US and Europe are willing to concede."

While it is clear that enterprise reform has slowed, the situation on financial restructuring is more complicated. Authorities are moving with relative speed to rationalise a non-bank financial sector which, in some parts of the country, is riddled with bad debts.

A financial meltdown in progress on the buccaneering island of Hainan, off the south-west coast, represents an extreme example of what can happen when regulation among grassroots financial institutions – of which there are hundreds, perhaps thousands, across China – breaks down.

About 30 local credit co-operatives which offered illegally high deposit rates were closed earlier this year and taken over by the Hainan Development Bank (HDB). The HDB then collapsed last month under the weight of bad debts it inherited from the co-operatives or generated itself.

Several other non-bank financial institutions in Hainan, such as international trust and investment companies (ITICs), are also in deep trouble, bankers on the island say. The bursting of a local real estate bubble, unimpressive returns on infrastructure investments and the slowing of the broader economy is at the root of their problems, the bankers add.

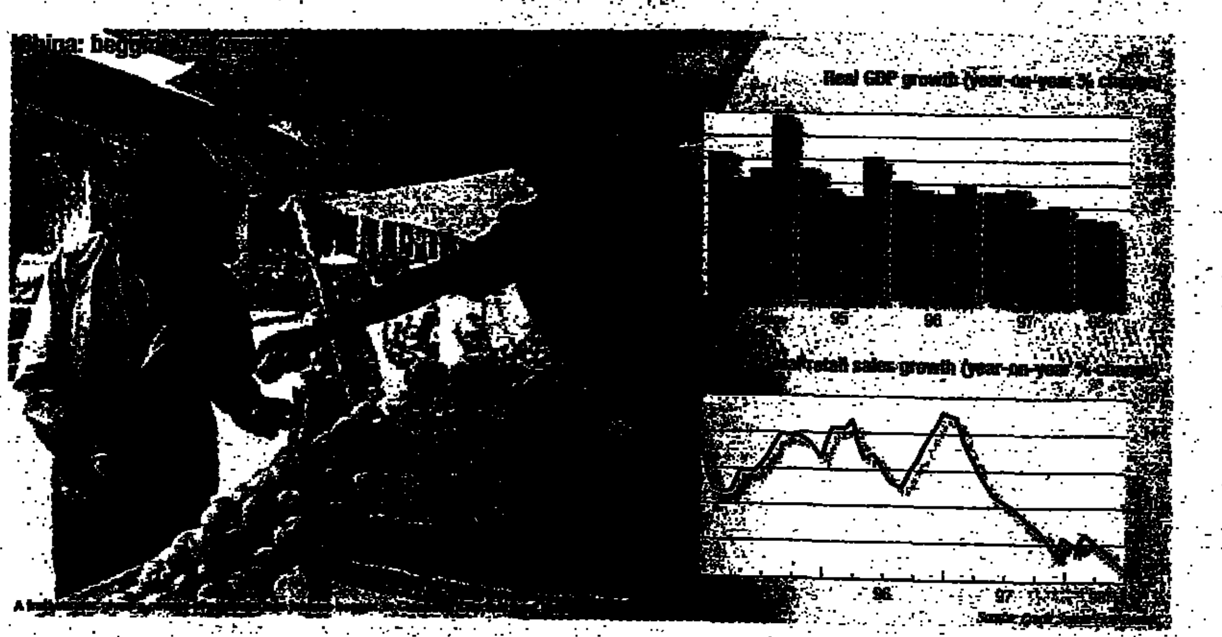
"Zhu Rongji needs to keep the economy at around 8 per cent just to to stop all of the financial problems coming into the open," says Jiang Jian, investment manager at Fudao Investment fund in Hainan.

But 8 per cent may prove elusive. Economists say there are no ready solutions to perhaps the most pressing problem: flagging consumer spending in a rural economy of 900m people who buy 40 per cent of consumer sales. Spending is being depressed by declining farm wages and plunging produce prices which derive from an agricultural glut.

Urban consumer spending, which has been hit partly by job insecurity as enterprises are restructured, is also vexing Mr Zhu's government. The response has partly been to boost infrastructure spending by 15 per cent in the first half, compared to 10 per cent in the whole of last year.

The sale of state housing, which has also been delayed, has been identified as another growth engine. Unfortunately, it has yet to start roaring.

Economists and officials say that if China's economy fails to recover and exports continue to slow significantly, then a debate over whether to devalue the renminbi currency may resurface. "If the yen was to go down by a lot more, there would certainly be more pressure for devaluation," says one economic official.



WHEAT PURCHASE FOR NEEDY COUNTRIES

Clinton aims to push up farm prices

By Nancy Dunne in Washington and Nikki Tait in Chicago

President Bill Clinton has ordered a government purchase of 80m bushels of US wheat for distribution to needy countries and to raise farm prices ahead of congressional elections in the autumn.

The agriculture department estimates that the $250m purchase will raise prices by 13 cents a bushel. The acquisition may be followed by procurement for other surplus commodities, according to Dan Glickman, the agriculture secretary.

Five countries have been targeted for the wheat supplies: North Korea, Indonesia, Sudan, Eritrea and Ethiopia.

When there is an election for the House of Representatives, the farm lobby wields its clout

Of all the uncertainties in US farming – the weather, prices, crop conditions, market demand – there is one constant. Every even numbered year, when there is an election for the House of Representatives, the farm lobby wields its clout.

This year is no exception. Democrats have only a long shot at recapturing a majority in the House, but they need to gain only 11 seats to do it. There are four Republican seats in the Northern Plains states – North and South Dakota, Minnesota and Montana – where disease and bad weather have taken a toll. There have been bankruptcies also in Texas, Washington, Idaho and Oregon. This has pushed farm policy to the top of the agenda of both Republicans and Democrats. Congress this week voted to exempt farm sales from US sanctions imposed on India and Pakistan for nuclear testing. This resulted in an immediate 300,000 tonne procurement by Pakistan.

In his weekly radio address on Saturday, Mr Clinton urged Congress to reverse the 1996 farm bill, which phased out production subsidies, and to boost US markets by paying US "dues" to the International Monetary Fund.

Republicans are resisting a return to higher subsidies but have offered a bill which would allow farmers to collect the payments which they still get in October – a month before the elections.

The administration's move to buy 80m bushels of wheat comes amid widespread expectations that 1998 will be a tougher year for the US agricultural economy. Most grain-farmers have seen prices dip because of strong global production, and also some weakening of demand in the face of Asia's problems. Farm cash income in the US is already forecast to drop by about 7 per cent from 1997's record $56bn, and there are suggestions that this could be an underestimation.

More generally, the US Department of Agriculture is forecasting another record soyabean crop, while maize production will probably be close to its 1994-95 peak. Overall, the "all crop" price index was down by about 11 per cent year on year in June. September wheat futures, meanwhile, closed at just under $2.74 on Friday at the Chicago Board of Trade – less than half the levels reached during 1996's short-lived upward spike.

Final pieces of US economy puzzle set to fall into place

Fresh GDP data and Greenspan's testimony should give some clues on economic prospects, reports **Gerard Baker**

Over the next two weeks, financial markets will start to get a clearer picture of the state of the US economy at the half-way point of 1998.

Tomorrow and Wednesday, all eyes will be on Alan Greenspan, chairman of the Federal Reserve, as he gives his semi-annual Humphrey-Hawkins testimony on economic conditions and prospects for monetary policy.

And next week, the final pieces of the puzzle of what has been happening to the economy so far this year will fall into place with the publication of the gross domestic product figures for the second quarter.

The clear message that will emerge, both from Mr Greenspan's testimony and from the economic data, will be that the US economy, which has been breaking speed records for the last two years, suddenly ground to a halt this spring.

In the first three months of 1998, GDP expanded at an annual rate of 5.4 per cent, a little faster than, but generally in line with, the remarkably robust performance since 1996. But the signs are that in the three months to June, output, at best, slowed to a crawl, increasing at an annual rate of perhaps 0-1 per cent. Many economists believe that the economy may have contracted slightly in the three months to June, which would make it the first quarter of negative growth since the recession of 1991.

The news may come as a shock to a nation used to enjoying the idea that economic conditions have never been better. And it would strengthen the hand of those economists who have argued the Fed does not need to raise interest rates any time soon since the economy is slowing of its own accord. It would embolden those calling on Mr Greenspan to cut rates.

But has the stuffing really been knocked out of the US in the space of three months?

To some economists, the weakness of the US in the second quarter is firm proof the Asian crisis has now hit the heartland hard. With matters in Asia likely to get worse before they get better, they say, US prospects also look bleak.

It is true that a big increase in imports and weakness in exports depressed domestic production – perhaps knocking as much as 2.5 percentage points off GDP growth.

But two other factors played significant roles in the second quarter crunch:

- Destocking. Companies had built up huge inventories in the first quarter of the year, as they produced more than consumers could buy. In the second quarter came the payback. Inventory growth was sharply slower than in the first quarter and overall, economists estimate, trimmed a full 3 percentage points of GDP growth.
- The General Motors strike. Industrial action hammered factory output. In June alone, industrial production fell by 0.6 per cent. Overall the strike will have taken probably about 1 percentage point off GDP growth.

The largely unintended inventory build-up in the first quarter means that, in effect the economy "borrowed" some production in the first part of the year from the second quarter.

Smoothing out the growth over the first half of the year, and stripping out the effect of the GM strike – a temporary restraining factor – gives an overall picture of an economy growing in the first half of 1998 at an annual rate of about 2.5-3 per cent.

Greenspan: Asian effect has slowed pace of economy AP

That suggests that, so far at least, the sanguine assessments of many policymakers, including the Fed's economists, at the start of the year may turn out to be right. The Asian effect has slowed the economy from an unsustainable rate at the end of last year – over 4 per cent – to a more moderate pace, only just above traditional estimates of the potential rate.

But can this benign state continue? In the first half of the year, domestic demand grew at a frenetic 5 per cent annual rate. The hit from the trade account proved enough to ensure a more moderate pace of overall growth. But will this balanced contest now be decisively resolved one way or the other?

The conditions that have underpinned domestic demand – strong earnings growth in tight labour markets, surging stock market prices, stable consumer prices and low interest rates – are still in place.

But equally, the threat from the external sector remains as strong as ever. Since trade usually responds to economic developments on a reasonably long time lag – six to nine months on average, the probability is that Asia and its ramifications will continue to take large chunks out of domestic output growth.

The result will probably be several more months of the recent benign but highly unstable combination of a roaring market at home and collapsing markets overseas. The worrying part for Mr Greenspan and others is: it would take only a slight change on either side of the equation to knock the mighty US economy off track.

US states narrow Microsoft charges

By Louise Kehoe in San Francisco

State prosecutors have narrowed their antitrust charges against Microsoft, dropping claims that the software industry leader forced PC manufacturers to choose its office applications programmes over those of competitors.

The states' lawsuit, which has already been combined with Justice Department charges against Microsoft, is scheduled to go to trial in September.

As originally drafted in May, the case filed by 20 states and the District of Columbia included issues not addressed in the Justice Department lawsuit. Late on Friday, the state prosecutors dropped claims relating to Microsoft's "Office" suite of programmes which includes word processing, spreadsheet and other applications.

The revised complaint also left out charges that Microsoft was tying sales of its e-mail program, "Outlook Express", to the Windows operating system, in alleged violation of antitrust laws.

Dennis Vacco, attorney general for the state of New York and one of the lead prosecutors, said the complaint against Microsoft had been "tightened" to enable the states to devote their full resources to the trial.

In both the states' and Justice Department's complaints, Microsoft is alleged to have used anticompetitive tactics and forced PC manufacturers to install the company's web browser programme on their machines as a condition of licensing Microsoft Windows, the most widely used PC operating system software.

Microsoft said it was pleased the states had withdrawn "groundless allegations". The move came on the heels of an appeals court victory, which overturned an order forcing Microsoft to offer a version of Windows with the web browser programme effectively removed.

Utilities suffer setback in California

By Christopher Parkes in Los Angeles

A consumer campaign to nullify key provisions of California's electricity deregulation law was given a lift last week when a court rejected a blocking lawsuit backed by the state's biggest utilities.

Power companies, in a coalition with other industry groups, had asked the California Supreme Court to strike the reform proposals in Proposition 9 from a ballot due in early November.

If other legal remedies fail, utilities including subsidiaries of Edison International, PG&E and San Diego Gas & Electric are expected to become embroiled in a costly advertising battle against the proposition's backers as the election approaches.

If the initiative is approved, it could severely disrupt other states' utility deregulation plans, most of which are based on the Californian pattern, and cost power companies billions of dollars in write-offs.

PG&E, the state's biggest utility, said last week that a "yes" vote would cost it about $3bn, while Edison claimed it would have to write down $1.9bn.

The proposition, drawn up by consumer groups based in San Francisco and Los Angeles, would scrap surcharges on electricity bills earmarked to reimburse the so-called "stranded" investments tied up in the utilities' nuclear plants and other uneconomic facilities.

It would also impose an across the board reduction of 20 per cent in electricity charges in place of the 10 per cent cut, which took effect last January as part of the deregulation process.

Utilities lobbied hard for the recovery of stranded costs to be included in the state legislation, which was approved in 1996 and enacted after delays at the end of March.

Out of state power retailers trying to break into the $20bn a year Californian market have also objected to this concession, complaining it gives established players an unfair advantage.

Californians Against Utility Taxes, one of the groups backing the campaign, claimed the court decision "validated" Proposition 9 "as exactly the type of citizen revolt the founders of the initiative process intended."

It has denounced the stranded costs recovery charge, estimated at $28bn over four years, as a hidden tax to recoup the utilities' past bad investments and mismanagement.

Although the consumer campaign is poorly funded and depends heavily on volunteers, it had little difficulty collecting more than 500,000 signatures necessary for the November ballot.

ECONOMY CHANCELLOR OF THE EXCHEQUER REJECTS DEMAND FOR PUBLIC SPENDING TO HEAD OFF RECESSION

Minister rebuffs union jobs call

By Liam Halligan, Andrew Bolger and Simon Kuper

Gordon Brown, the chancellor of the exchequer, last night gave "short shrift" to trade union calls for public spending increases to create jobs and head off recession.

Mr Brown, who today meets John Monks, general secretary of the Trades Union Congress, also underlined his intention to keep a tight grip on public sector pay following the £40bn ($66bn) health and education spending increase announced last week.

"Some say we should relax our discipline and some even call for more money to be injected into the economy this year by additional public spending – this would not be responsible economics," he told a meeting of Labour activists in London.

Union leaders will this morning present Mr Brown with a document calling for a £3bn spending programme to promote employment, suggesting the chancellor's fiscal tightening risked sending the economy into "outright recession". But a Treasury source said: "Union requests to pump money into the economy have received short shrift – this is a New Labour government not an old Labour one."

In an indication of discontent across the TUC, the Amalgamated Engineering and Electrical Union, which has 725,000 members, indicated it would withdraw £1m in party donations. "Our patience has snapped," the union said. "This is just the beginning, and we expect many other TUC members to follow our example to empty Labour's coffers."

An AEEU official said the union was "pleased" to give Labour "a bloody nose" at a time when senior party figures continued to press for a severing of Labour's union links.

Amid union leaders' concerns that public sector pay increases – pegged at between 2.5 and 3 per cent a year – are only half those in the private sector, Mr Brown insisted new money available for public services would come with strings attached.

The resources announced in last week's comprehensive spending review would only be made available "in return for results in meeting targets for improved efficiency and standards", he said.

Mr Brown's call for "continued fiscal tightening" followed a warning of economic slowdown from Adair Turner, director-general of the Confederation of British Industry, the employers' body. "The economy is now overall beginning to slow at a quite rapid pace," Mr Turner told GMTV's *Sunday* programme, indicating that exports and manufacturing had "deteriorated significantly" in recent months.

But the CBI was "cautiously optimistic" that the economy would not move into recession, with Mr Turner saying "a dramatic rise" in joblessness was unlikely.

Gordon Brown: extra public spending to boost jobs "would not be responsible economics" Press Association

Costs leave fund managers 'open to losses'

By Jane Martinson, Investment Correspondent

Higher wage bills and technology costs could make one in five fund managers vulnerable to a market downturn, according to a survey of the industry.

PriceWaterhouseCoopers, the accounting firm, says fund management companies in the UK have failed to follow other industries by improving productivity.

Profits at the 33 firms in the annual survey, with assets of £720bn ($1,188bn), failed to match revenue growth. PWC estimates that one in five fund managers would record losses if stock markets fell an average 10 per cent.

Graham Wright, a partner at the firm, said: "There is real complacency. They feel that they don't need to control costs because they are still making money."

Fund manager revenues climb with the stock market as fees are generally based on funds under management. Mr Wright argues that costs should not rise in line with revenues because of the scale economies of fund management. "It should not cost much more to manage £25bn than it does to manage £20bn," he said.

The report suggests that 1997 costs could become "unsustainable". Over the last five years PWC estimates that costs in the industry have risen by a compound annual rate of 8 per cent, almost twice the rate of inflation. A significant part of the increase was salaries with a compound annual growth rate of 15.5 per cent. This was due to additional staffing as well as higher salaries.

Mr Wright rejects the argument that wage costs have become more flexible with the introduction of performance-related fees. "People say that bonuses and salaries are flexible costs but they are not because of the fear that people will leave if their wage is cut," he said.

The cost of preparing computer systems to deal with the year 2000 and the single currency has helped increase technology expenditure by 33 per cent in the year. Spending in the first six months of this year is up 45 per cent.

Increased marketing costs were also blamed for the impact on profitability with companies spending more on marketing and sales.

Travel insurers to exclude millennium bomb

By Christopher Adams, Insurance Correspondent

Insurance claims for travellers who are killed or suffer personal injury, disruption or delays because of the "millennium bomb" may be excluded by clauses that insurers are to begin writing into travel policies.

The latest steps by the insurance industry, which has already moved to limit its exposure to possible disruption to businesses by the "millennium bomb", have provoked protests from the travel sector.

The "millennium bomb" is a legacy from the early days of computing, when years were stored as two digits rather than four. As a result, many machines will be unable to distinguish between 1900 and 2000, with potentially disastrous consequences.

CGU, the UK's biggest composite insurance group and a large travel underwriter is to exclude claims made for policyholders who suffer personal injury or die from accidents related to the millennium problem.

Gary Andrews, general manager of Travellers' Insurance Association, the group's travel arm, has been leading industry efforts to arrive at a common stance. He said that many insurers would act to limit coverage. This action would vary between companies.

Insurers could also exclude travellers' claims made because of delayed flights and lost baggage. But they are likely to meet payouts for medical expenses cover.

The travel industry and consumer groups attacked the plans, saying they were unacceptable. Keith Betton, of the Association of British Travel Agents, said: "We would accept without question insurers might want to exclude liability for things like delays, but not for personal accident."

NEWS DIGEST

SHARE DEALING

Ex stock exchange staff face insider trading probe

The Department of Trade and Industry is investigating alleged insider trading involving two former staff at the London Stock Exchange. Exchange procedures are the subject of the probe, as well as the actions of the men, who could face prosecution. The men, who the exchange said were junior clerks in the company announcements departments, were sacked for gross misconduct nine months ago. The exchange believed one man passed on inside information to a relative while the other failed to tell the authorities of the trading.

The exchange said yesterday the sums involved were less than £10,000 ($16,500) but it had decided to refer the matter to the DTI because of its status as a market regulator. The DTI refused to comment. **Jane Martinson**

BANK OF ENGLAND

Rationalisation cuts 200 jobs

The Bank of England is set to lose more than 200 jobs over the next two years following establishment of the Financial Services Authority, the new super-regulator for the City of London, which has taken over banking supervision and surveillance. About half the existing 380-strong security and premises jobs will be cut as the Bank rationalises its five different buildings into one. Staff numbers at the Bank have fallen steadily since a peak of 7,500 in the 1970s. They stood at 3,431 in May, having fallen by 350 in the previous year because of rationalisation. **Jane Martinson**

LLOYD'S OF LONDON

Rebels' law suit could collapse

Lloyd's of London, the insurance market, reacted cautiously yesterday to reports that legal action being taken against it by rebel Names – individuals whose assets traditionally underwrite the market – could collapse. A Lloyd's official said he was aware of an apparent failure by the rebels to meet a court order to provide identities of their financial backers in their fraud case against the market. He said Lloyds would refrain from comment until it was fully informed on whether the rebels had produced the names by last week's deadline. Lloyds is demanding 2,000 Names pay about £130m towards the market rescue plan. The Names suing Lloyds allege the market failed to inform them adequately about potential liabilities on asbestosis policies. **Haig Simonian**

EMPLOYMENT

Child labour laws 'outdated'

The government is failing to protect children at work because legislation on child employment is bureaucratic and outdated, according to a study published today by Save the Children and the Child Poverty Action Group. The study says work can be positive for children, but protection is made difficult by regulations that fail to give a true picture of the nature of child employment and the extent of illegal work. **Sheila Jones**

INDEPENDENT BROADCASTERS

Regulation may be eased

The government will indicate this week it wants to relax regulation of the ITV network and could eventually remove the requirement for it to show specific types of output, such as religious and children's programmes. Chris Smith, the culture secretary, is to suggest tomorrow that strict programming requirements on ITV are becoming anomalous as cable and satellite networks launch digital services that can carry many competing channels. **John Gapper and Cathy Newman**

DIGITAL TELEVISION

Terrestrials 'to win most viewers'

Terrestrial television groups will beat the cable operators and British Sky Broadcasting, the satellite company, in the battle for subscribers to digital services, according to research published this week. By 2003, 2.8m UK homes will pay for digital terrestrial TV, the report from Continental Research, the media research company, says. Digital cable will be second, adding 2.6m digital subscribers to its 1.9m analogue customers by 2003, the report says. It predicts by 2003 only 2m households will take digital TV via a dish. **Cathy Newman**

RETAILING

Stores move on Euro court ban

The UK's leading supermarket groups are understood to be meeting Nigel Griffiths, competition and consumer affairs minister, following a European court ban on the sale of cut-price designer goods. The ruling bans retailers from buying products outside the European Union for resale in Europe unless the brand owner approves. **Peggy Hollinger**

RECESSION

Fewer job losses expected

Most UK companies believe the next recession will be shallower, with fewer job losses than in the recession of the early 1990s, according to Office Angels, the recruitment consultancy. Its survey of 100 blue-chip companies found 87 per cent of employers said business confidence had fallen and a recession was imminent. **Andrew Bolger**

Road charges will fund transport plans

By Charles Batchelor and Liam Halligan

John Prescott, the deputy prime minister, has won the backing of Gordon Brown, the chancellor, to fund transport improvements with money raised from road and parking charges expected to be announced in the government's transport white paper out today.

Mr Brown has agreed to accept high hypothecation – the ring-fencing of revenues for spending in the sector where they were generated – Mr Prescott said in a television interview yesterday. He added: "The Treasury has assured me that any money which we raise from these new incomes will now be channelled directly to transport policies."

This will be the first time that funds have been set aside in this way on such a scale. The new charges will begin to provide funds from 2000-2001. They are expected to raise about £1bn ($1.65bn) a year from 2005-2006.

However, Mr Prescott will not be able to use any money raised by existing taxes, such as recent increases in fuel duty.

Today's white paper is expected to include a charge on businesses that provide off-street workplace parking spaces, although an earlier proposal to include supermarkets and out-of-town shopping centres has been dropped.

A total of 6m employees would be affected by this measure which could raise an average of £150 for each parking space when it is introduced. A charge of £500 on the 600,000 parking spaces in London would raise about £300m a year even if 30 per cent were converted to other uses.

The white paper is also expected to include proposals for legislation allowing local authorities to impose congestion charges on motorists driving into city centres. It will contain proposals for traffic safety improvement near schools to persuade more parents to allow their children to walk or cycle to school.

There will be proposals for a strategic rail authority intended to allow better planning of rail improvements. Regulation of railway companies will be streamlined while additional funds are expected to go to encourage more freight to be moved by rail and water.

DEVOLUTION HIGH NET-WORTH PEOPLE 'MUST BE ATTRACTED'

Call for cut in Scots' tax rates

By Andrew Parker, Political Correspondent

The higher rate of income tax should be abolished in Scotland, along with inheritance tax and capital gains tax, as part of the devolution settlement, according to a report published today.

Bill Jamieson, a Scots-born economist, says income tax needs to be lower in Scotland for the country to prosper in the global economy. He argues in a pamphlet published by the Centre for Policy Studies, the right-wing think-tank: "Scotland needs to attract and retain high net-worth individuals, encourage wealth accumulation by them, encourage an influx of private capital and light a beacon for the world for freedom, liberty and individual and family prosperity."

Under the government's devolution plans, the Scottish parliament will only have the power to raise or lower the standard rate of income tax by three pence in the pound.

The CPS report attacks the economic policies of the Scottish National party, which has overtaken Labour in opinion polls in the battle for control of the Edinburgh parliament.

The SNP bases its case for independence on North sea oil revenues provided to the Treasury. The party claims that between 1979 and 1995 Scotland made a net contribution to the Treasury of £27bn ($45bn). The CPS report points out there may be no legal case supporting a claim to the oil revenues and the receipts are now a fraction of previous levels.

The report says English "indifference" to the Scottish question is "profoundly corrosive to the interests of the union. English complacency legitimises the ambitions of some Scots to break away; it feeds the sense that the union does not matter and its unravelling a matter of no practical consequence. This is a dangerous illusion".

The government is also establishing a Welsh assembly, and there may be directly elected assemblies in the English regions in the next parliament. The CPS report says: "In the British constitution a new 'variable geometry' is opening up. It is one that should be able to allow for a more localised and decentralised administration while enjoying the economies of scale in external relations that a union has to offer."

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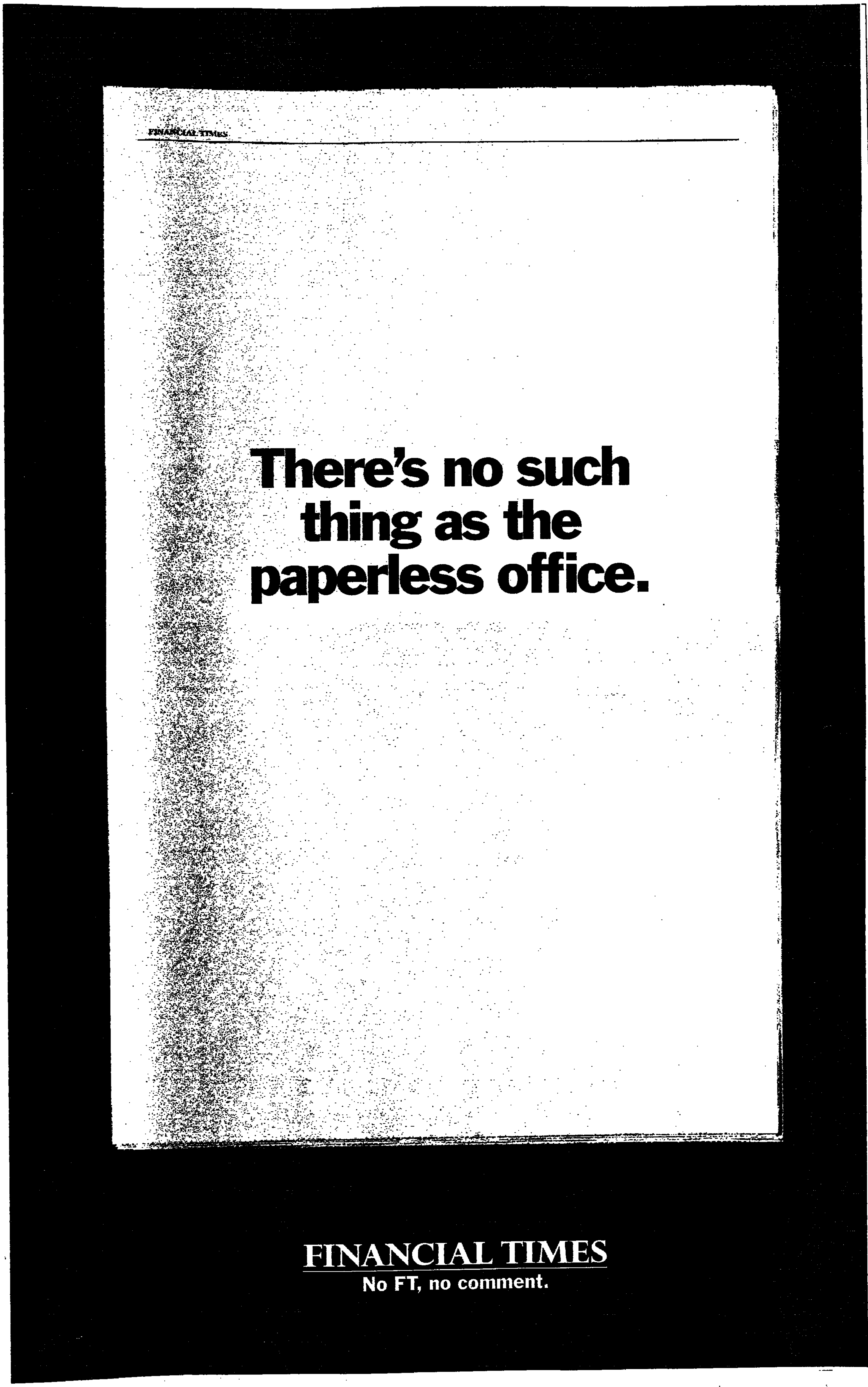
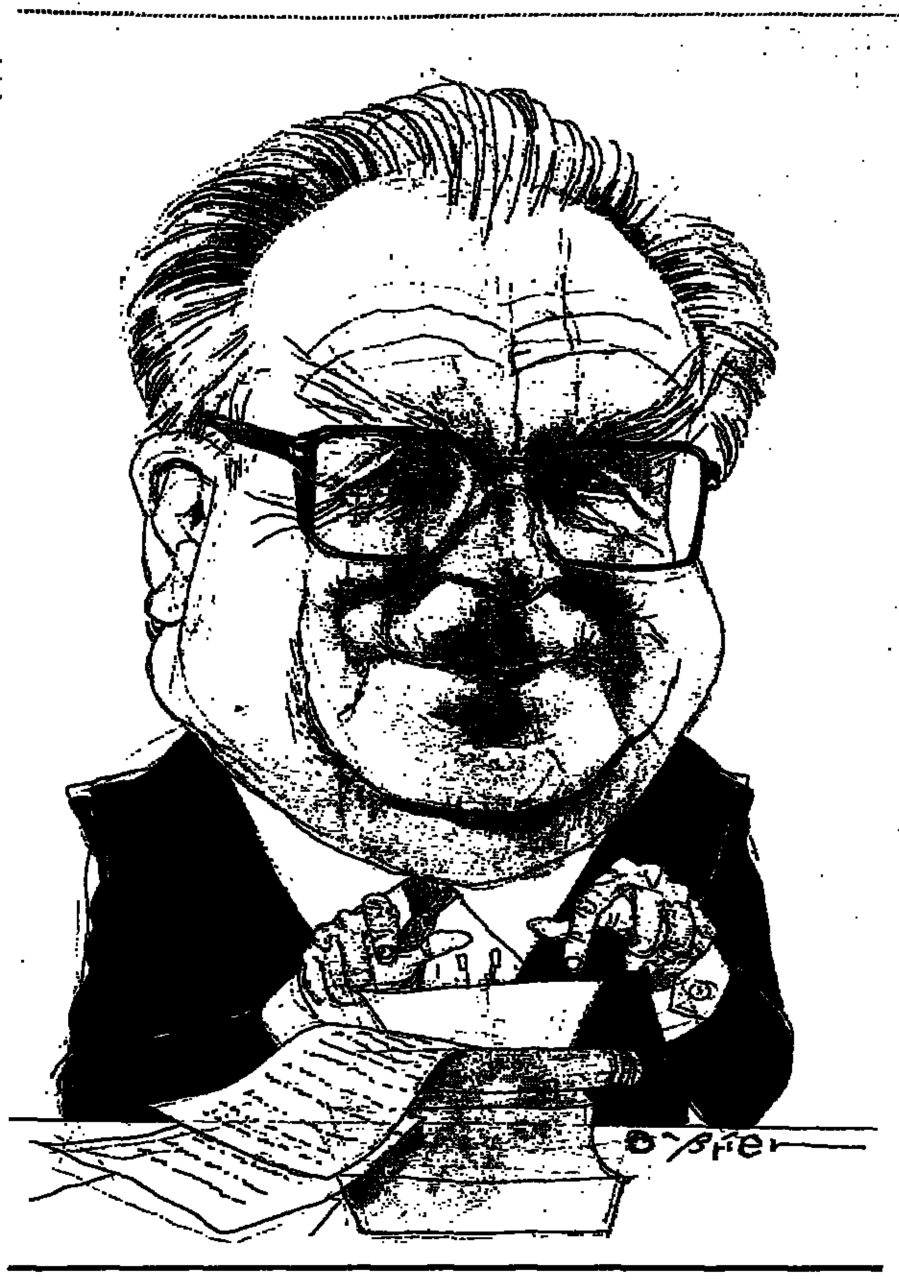


INSIDE TRACK

INTERVIEW LOTHAR SPÄTH, HEAD OF JENOPTIK



Heroic journey of the political maverick

The former politician who turned an ailing industrial combine into one of the few success stories to come out of eastern Germany explains the transformation to **Frederick Stüdemann**

By international standards the glistening high-rise is nothing special. But to the locals, who call it the Empire Späth Building, the office block in Jena, eastern Germany, is one of the symbols of their town's gradual recovery from four decades of communism.

The building's nickname is a rhyming reference to *Lothar Späth, a former* politician and now the head of Jenoptik, once part of a showcase industrial combine.

He arrived from the west seven years ago and promptly caused chaos and confusion in Jena with a hyperactive restructuring programme, which included large-scale property redevelopment, before turning Jenoptik into one of the few success stories to come out of *eastern Germany*.

Last month, Jenoptik, a technology and services group, listed on the Frankfurt stock exchange in a heavily over-subscribed initial public offering. This brought in DM800m ($442m) for the company's shareholders, the state of Thuringia and a collection of western *banks. It also introduced* thousands of east Germans to equity investing for the first time.

Jenoptik is forecasting sales of DM3bn and profits of DM60m this year. Its transformation from a sprawling conglomerate dependent on business in the former communist bloc to a high-tech provider of "clean buildings" for computer component manufacturers, lasers, and telecommunications equipment, has been heralded as an example for the east as a whole.

In the process Mr Späth, 60, has emerged as something of a local hero in the east and an instructive maverick for the west.

In personal terms, this was almost as much of a turnround as that brought about at Jenoptik. Once a heavyweight within the governing Christian Democratic Union and a ringleader in a failed challenge to Chancellor Hel*mut Kohl, Mr Späth's career* could have come to an end seven years ago when he resigned as premier of Baden-Württemberg, *one of* the bigger and richer western states, over a scandal concerning the acceptance of too much corporate hospitality.

Instead, he followed the route of many other westerners who in the post-unification period sought to revive failed or flagging careers by heading east. In 1991, Mr Späth was hired by the Thuringian government to advise on Jenoptik which was being hived off from the Carl Zeiss Jena combine.

The Treuhand, the federal agency responsible for privatisation in the east, initially held out little hope for Jenoptik. Much of its prod*uct portfolio was aimed at* markets in the eastern bloc that had disappeared or, in the case of defence technology, were now off limits to a western company.

"When I arrived here I found a company with many different talents and products, but none of them were marketable," Mr Späth remembers.

At the same time, he was under pressure from the Thuringian government to preserve as many jobs as possible in the Jena region where, under communism, 60,000 people worked at Carl Zeiss.

His response was to combine job creation through property development with the establishment of a new product portfolio.

"If I had been at a big western conglomerate I would have gone in for radical focusing – that's the conventional creed. But our success is that we did *everything differently from* the others."

In the east, he says, there are two types of company:

'When I arrived here I found a company with many different talents and products, but none of them were marketable'

those that were bought by westerners who created a stripped-down "extended *conveyor belt" of their* operations back home and those that remained eastern and in their existing markets and failed.

Rather than shrink or stay put, Jenoptik diversified westwards in a bid to find a new identity for itself.

The means to do this came from the Treuhand and the Thuringian government, which together gave the company DM3.6bn for its restructuring programme.

The overall direction was clear. Jenoptik would be a technology company with ambitions to move up the value chain with innovative products. Activities such as *property development* were merely a stop-gap. They would help keep workers employed and create a better physical environment for small and medium-sized business in Jena through new business parks, shopping centres and small manufacturing units.

The inspiration for much of this can be found in Mr Späth's home state of Baden-Württemberg, home to many of Germany's technology-*orientated Mittelstand* (medium-sized) companies. "The Swabians are curious about new technology and *have shown they can realise* ideas through hard work," he says.

Home was also where Mr Späth turned for his first important step towards redefining Jenoptik. Using his connections, Mr Späth was able to identify and later acquire an ideal acquisition candidate: Meissner und Wurst, a *Stuttgart*-based builder of computer chip plants. The purchase not only gave Jenoptik a new business, but also brought the company established sales and distribution channels in new markets, such as Asia. A similar move was engineered with the purchase of Krone, a Berlin-*based telecommunications* company.

Today, Jenoptik has four main business areas. Meissner und Wurst is part of the "clean systems" division which provides the technological infrastructure for dust-free manufacturing plants; the telecoms division is led by Krone; lasers and optical engineering are grouped in the "photonics" division; while "new technologies" is a laboratory for ventures into areas such as the commercial exploitation of biotechnology.

The company employs more than 8,000 people, of which 1,800 are in Thuringia. Given the *strong* sense of regional pride surrounding Jenoptik, it is perhaps ironic that the bulk of Jenoptik's activities are now outside eastern Germany.

Mr Späth, however, points to the new jobs created in other sectors or companies that were spun off as evidence of Jenoptik's success in fulfilling its early remit as an engine of regional development.

Besides, he argues, the non-eastern focus is a demonstration of a healthy outward-looking approach. He says the east has a lot more to offer the rest of Germany than just the odd commercial success.

The collapse of communism has created opportunities, many of which have sadly been wasted by the process of unification which, he claims, imposed a creaking, outdated western system on to the east.

This is the subject of Mr Späth's latest book. In its general tenor, the volume follows a well-worn track in contemporary German writing. It frets about the state of the nation and calls for sweeping reforms of the tax and regulatory framework, as well as a swifter move to a service economy able to *face up to the demands of* globalisation.

It is a subject that Mr Späth, who believes change is inevitable, never tires of addressing, whether on a television programme he presents or on visits abroad. Does all this point to a return to politics? "No," he says.

Life is "much better in business . . . you can answer criticism with objective statements and facts. In politics you have to always counter emotional criticism with emotional answers."

Essential guide to Lothar Späth

Five books in six years would be a tall order for most professional writers; for the head of a large company undergoing fundamental restructuring and planning a stock market listing, such outpourings seem an impossibility.

Perhaps Lother Späth's co-authors did more than *their fair share, but many Germans would* also detect a trace of the culture of hard work that is rooted in the character of Swabia, a region within Baden-Wurttemberg.

As premier of Baden-Württemberg from 1978 to 1991, Mr Späth was often taken as the personification of Swabian values: diligence and thrift combined with a lack of pretence and a willingness to try out the new.

His origins are relatively humble. After training as a civil servant Mr Späth worked in local government finance from 1960-70. From 1968 until his resignation as premier in 1991 he was a member of the state parliament, sitting for the Christian Democratic Union. In 1970 he switched to the private sector, working at several companies in the *construction sector. After a short period* as interior minister he became premier of Baden-Württemberg in 1978, later emerging as one of the CDU's powerful regional barons and a *ringleader in a bid to topple Helmut Kohl* as party leader.

Married with two children, Mr Späth's latest book, co-written with Herbert Henzler, head of management consultants McKinsey in Germany, is *The Second Change: How Germany will make it.*

LUCY KELLAWAY

If you are good enough, you're young enough

Age discrimination in job adverts is widely criticised. But in some cases it is better to be honest about the person you want

Situations Vacant: Regional director – Age 35-45 – Railtrack. Head of government affairs – Age 30+. – Unilever.

There are two acceptable views on UK job advertisements like these. One says they are outrageous and there should be a law against them. The other says they are outrageous but a voluntary code of conduct would be a better way of stopping them.

The first view is taken by the anti-ageism lobby in the UK and, now, by many human resource directors (which is odd, as one might have thought they were the culprits). The second line is taken by the government, the Confederation of British Industry and other people one should take seriously.

There is, in fact, a third option, but I hesitate to mention it in a family newspaper. It is to say that advertisements that specify how old the candidate should be are not always such a bad thing. Let me explain.

It goes without saying that it is a waste if older people cannot get work because the jobs are all going to younger people. *It is also a pity* if employers are too rigid in their ideas of what people of different ages are capable of. Just consider Octav Botnar, the Nissan UK chief, who died the other day. He did not even get going until he was 50. (On second thoughts, given the pickle he got into with his tax returns, perhaps he is not such a good example after all.)

More seriously, now that the career ladders have gone and many people are out of work long before retirement age, career paths tend to move sideways or even downwards. Older no longer means more senior and neither does it necessarily mean less energetic, or less flexible. Every time a company thinks it has an age range in mind for a particular job, it should *think again. Is Railtrack sure* that the perfect manager is not 48, or 33 come to that?

The reason companies should ask the question is not for any moral reason but out of self-interest. It is hard enough to get good people anyway, and to limit the choice arbitrarily is not a good way of filling jobs.

Older does not necessarily mean less energetic or less flexible

But not all age limits are arbitrary. There are plenty of cases where it does seem reasonable for an employer to prefer people of one age to another. If Unilever wants someone older than 30 to run its government relations, that seems sensible enough. Likewise consider all those start-ups in Silicon Valley. Most of them are run by three-year-olds and most, quite understandably, want to balance that by selecting *a much older* person to be chairman.

If the company is sure that it wants someone of, say, over 50 or about 30, it should be perfectly open about it. Transparency is considered a virtue in most aspects of business. There is no reason why this one should be any different.

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Imagine you owned the most *valuable retail* brand name in the world. One that was recognised for its glamour, its pedigree, its exclusiveness. Would you take that name and use it in the unglamorous, rough-and-tough sphere of off-shore oil exploration? It goes without saying that you would not be so daft.

Yet last week the *FT* reported that Mohamed Fayed had done just that and now Harrods Energy (Thailand) boasts an *offshore* licence and four people scratching their heads wondering where best to look for the black stuff. I've heard of brand extention but this is ridiculous.

It is particularly strange to use the Harrods name when there was a better alternative. Why didn't Mr Fayed take his own name – which already has oleaginous overtones – and call the company Fayed Energy? I can only assume that clever old Mr Fayed is planning to package the stuff in smart green and gold barrels and sell it at well in excess of $30 a go.

***

We are told so often that business is global that it is easy to be lulled into believing it. But, last week, I was jolted back into the real world by a story on one of the dreariest subjects around: international corporate governance.

At first glance the story looked outstandingly dull: representatives from all round the world had got together in San Francisco and agreed . . . nothing whatsoever.

On closer inspection the *extent of the disagreement* turned out to be revealing. So far apart were the different parties that even the bland statement that companies should "endeavour to outperform their global peers over the long term" proved too hot to handle.

International corporate governance might *sound* just the thing but the world is not ready for it. Just remember all the argy-bargy involved in drawing up the UK's Cadbury Code and consider further where that report got us. The next time these good people feel the urge to get together in San Francisco maybe they *should* cut the discussion, go to Fisherman's Wharf, eat a few clams on the half shell and admire the view.

صكذا من الاصل

Don't bully me: workers and employers increasingly recognise 'psychological violence' as a problem, says the ILO Kobal

MANAGEMENT VIOLENCE AT WORK

Eight hours of threats, bullying and assault

Andrew Bolger *examines the various forms of physical and psychological abuse some people endure at work*

Sometimes work can be murder: for women in the US, homicide is the leading cause of death at work; for men it is the second leading cause, after road accidents. On average 20 people a week are murdered while they go about their work and 18,000 are assaulted.

These statistics are from a report on violence at work by the International Labour Organisation, the United Nations agency that deals with employment issues.*

No doubt America's fatal attraction to guns partly explains the carnage, but other countries have cause for concern. Those with the highest rates of assault and sexual harassment of employees, says the ILO, are France, Argentina, Romania, Canada and England.

In the UK, a British Retail Consortium survey found that in one year more than 11,000 retail staff were victims of physical violence. More than 350,000 staff were threatened and verbally abused.

Most physical attacks occurred when staff were trying to deal with theft (59 per cent). Other causes were: dealing with troublemakers (16 per cent); robbery (10 per cent); angry customers (5 per cent); drunk or drugged people (5 per cent).

In Japan, economic recession has led to widespread corporate downsizing, shattering long-held assumptions about staying with one company for one's working life. The loss of lifetime job security has been accompanied by alleged bullying of white-collar workers.

A "bullying hotline" established by the Tokyo Managers' Union received more than 1,700 requests for consultations in two short periods in 1996. Stress was a common complaint, with many people seeking urgent mental health treatment. Families in which relatives had committed or attempted suicide were among callers.

In the Philippines, migration for work has long been a feature of employment. More than half of overseas Filipino contract workers are women, many hired for domestic service and entertainment. Research shows these women are frequently and disproportionately affected by violence.

"Many workers report maltreatment, a general term that includes pulling the hair, battering, beating the hands with any instrument, burning of the flesh of the victim, banging the head against the wall, throwing of toxic, chemically dangerous liquids," the report says. "Employers commonly hold the worker's passport as a way of ensuring continued subservience."

Employees in most danger include taxi drivers, health-care workers, teachers, social workers, domestics in foreign countries and people working alone, especially in late-night retail. Women are particularly vulnerable because so many are concentrated in high-risk occupations, especially as teachers, social workers, nurses and bank and shop workers.

The ILO says workers and employers show growing recognition that "psychological violence" is a serious problem. Bullying is increasing in Australia, Austria, Denmark, Germany, Sweden, the UK and US. It includes psychological harassment of an employee, through criticism, isolation or gossip. In Sweden, it is estimated that bullying is a factor in 10 to 15 per cent of suicides.

Women are vulnerable because so many are in high-risk occupations

"The new profile of violence at work which emerges is one which gives full, equal emphasis to physical and psychological behaviour, and one which gives full recognition to the significance of minor acts of violence," says Vittorio Di Martino, co-author of the report.

The ILO describes its report as the most extensive worldwide survey. In fact, it draws on a plethora of surveys and statistics but its authors acknowledge the impossibility of reconciling widely differing methodological and statistical approaches. It is, nevertheless, full of graphic examples.

The report says workplace violence stems from a combination of causes that include the individual, the work environment, the conditions of work, the way in which co-workers interact, the way customers and clients interact with workers, and the interaction between managers and workers.

For these reasons, the response to violence must be multi-faceted. A plan should be ready to contain the effects of violence, much as responses to terrorist situations are planned and imposed immediately. It should involve all people directly or indirectly affected, including family, senior management, colleagues and victims.

"Instead of searching for a single solution good for any problem and situation, the full range of causes that generate violence should be analysed and a variety of intervention strategies adopted. The response to workplace violence is too frequently limited, episodic and ill-defined," says the report.

**Violence at Work, by Duncan Chappell and Vittorio Di Martino. ILO, Geneva, 1998. ISBN 92-2-110335-8. Available from ILO, London: 0171 828 6401. Price £13.50.*

TIM JACKSON
ON THE WEB

Growing up has its advantages

The concentration of power on the internet can allow new technologies to make their mark

One of the symptoms of the maturing of the internet, which has been lamented before in this column, is that good ideas no longer spread around the world so easily as they did a couple of years ago. These days, innovators need marketing or distribution as well as great ideas to win on the web.

But there is a silver lining to this cloud. The concentration of power on the internet – the fact that there are a few dozen web site owners with whom one has to do business to reach the tens of millions out there – means that with the right partnerships, great technologies can roll out even more quickly than before.

A perfect illustration of this is likely to be Communicator 4.5, the browser released in beta form by Netscape last Thursday. The new version of Communicator has two terrific features that will make browsing the web far easier and more convenient for millions of people during the coming few months. Netscape refers to the features together as "smart browsing", but in fact they are two entirely separate tools.

One is a feature that Netscape calls Internet Keywords, in which you can find a web site by typing in a familiar company name or brand name rather than an exact URL, or uniform resource locator.

As the number of domain names proliferates – tripling in the past year, and likely to triple again over the coming two years, according to some estimates – this is likely to become increasingly useful.

For instance, last week I was looking on the web for car rental prices in the US. Finding Hertz, Avis and Dollar was a simple matter of adding a "www" at the start and a ".com" at the end. But Alamo and National, car rental firms that seem to be present in almost every US airport, are harder to find. The domain name *alamo.com* refers to a search engine based in San Antonio; *national.com*, by contrast, takes you to the semiconductor manufacturer of the same name.

Using Internet Keywords, you type the brand name into the browser window, and it will be resolved by a Netscape database to the web site that Netscape *thinks* you want to go to.

If this idea sounds familiar to readers of this column, that should be no surprise. It is actually remarkably similar to a service called Real Names, launched some months ago by Centraal Corporation, a start-up based in Palo Alto, 15 minutes' drive away from Netscape's headquarters.

Centraal's business model was to provide the service free to users, striking partnerships with search engines such as Digital's Altavista, and to ask fees from domain-name owners for the hits forwarded to their sites. The company seemed to be making good progress: last month it reported that it was forwarding 3.5m real names to web sites every week, and it raised its price for simple registration to $100.

The other key function inside Smart Browsing is something called What's Related – a drop-down list, created on the fly as you travel from one web site to another, that lists web sites related to the page you are currently looking at.

Once again, this idea came from an outside company covered in this column: Alexa.com. Until recently, Alexa's service was offered to customers as a free software download that creates a window sitting beneath your browser window. As well as the list of related sites that is now being packaged as Netscape functionality, Alexa also offers an archive of information that was once on the web but is so no longer, free online access to Encyclopaedia Britannica, and a list of useful web sites.

The related sites list is compiled from three sources: analysis of links from similar sites, measurement of actual traffic by Alexa users, and personal recommendations.

For both companies, Alexa and Centraal, the Netscape innovations raise concerns. Alexa's ability to sell advertising every time users look at the free information it provides may be curtailed by the way in which Netscape delivers it. And while the Internet Keyword functionality adds recognition to the Real Names concept, it is hard to see how it will do anything other than reduce Centraal's ability to raise revenues.

For consumers, however, the Netscape developments are undoubtedly good news. They may do little to slow the apparently unstoppable takeover of the market by Microsoft, but they represent advances which will make the web more useful and convenient for everyone.

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NEIL BUCKLEY
FILE FROM BRUSSELS

Why Europe's capital fears foreigners

Belgium is the only member state to deny European Union citizens the right to vote in local elections

Any foreigner who has undergone the painfully bureaucratic duty of registering with the local authorities in Brussels would probably vote gladly for any party promising to simplify the procedure. Unfortunately, we can't.

The 135,000 eurocrats, diplomats, journalists, lawyers, lobbyists, teachers and executives in Brussels who are European Union, but not Belgian, citizens are reckoned to account for more than 10 per cent of the regional economy. They pay local taxes, use city transport and services but have no say in how the city is governed.

The injustice seems as clear as the need to do something about it. Rather embarrassingly for the country that is home to the capital of Europe, the European Court of Justice this month condemned Belgium for being the only EU state not to have implemented a directive allowing foreigners who are EU citizens to vote in local elections.

Unless it adopts the law within a few months, Belgium could face fines of $200,000 (£121,000) a day.

Solving the problem ought to be easy. In fact, it has provoked one of this year's biggest political disputes, and renewed wrangling over the complex structure of regions and overlapping language communities that make up federal Belgium.

The matter should have been settled last week but was put off for at least three months after a compromise between the main parties, bolted together by the man nicknamed the "plumber" for his political fixing skills – prime minister Jean-Luc Dehaene – fell apart.

One problem is that giving voting rights to foreigners means changing Belgium's constitution, which needs a two-thirds majority in parliament. Since the four governing coalition parties – Flemish and French-speaking Socialists and Christian Socialists – do not control enough votes, they must rely on support from at least one of the main opposition parties to push the issue through.

Many people also feel that if the half-million or so EU foreigners in Belgium are allowed to vote in local elections, that right should be extended to the similar number of non-EU foreigners.

But these issues only exacerbate the central problem – one that offers an insight into the sensitivities that, increasingly, can cause near-paralysis in Belgian politics.

Put simply, parties representing Belgium's Dutch-speaking linguistic majority worry that since most foreigners are more likely to speak French than Dutch, they will vote for French-speaking candidates and skew election results. In many areas this would have little impact, but in Brussels it could be crucial. Both Dutch-speaking Flanders in the north and Belgium's French-speaking population in the south of the country claim the city as their capital. But for historical reasons, the city is an 85 per cent francophone island surrounded by Flanders. Give foreigners the vote in Brussels, and Flemish politicians fear they could be almost wiped out.

Politicians spearheaded by Brigitte Grouwels, minister for Brussels in the Flemish regional government – and a member of Mr Dehaene's party – say the only answer is to reserve a number of guaranteed places for Dutch-speakers in the city's institutions.

Mr Dehaene has been vilified by some in his party, and Flemish opposition parties, as a "traitor to Flanders" for not insisting on such guarantees as part of last week's stymied compromise deal on voting rights.

The "plumber" may be able to unblock his compromise in the autumn without having to call for such controversial guarantees, and get the voting issue through parliament in the autumn. But if it fails this time, Flanders will certainly reintroduce its demand for guaranteed Flemish representation in Brussels in fresh talks on constitutional reform due to start next year.

Europe's capital is increasingly becoming a domestic political battleground. Flanders and French-speaking Wallonia clashed two years ago over which had the right to promote Brussels as a tourist destination. Preparations for Brussels Year of Culture 2000 have been dogged by bickering over whose culture to promote.

One solution put forward – by Louis Tobback, now Belgian interior minister and a deputy prime minister, among others – is to turn Brussels into a "European district", a kind of self-standing city-state in whose governance the European institutions would have a say. The project, nicknamed "Brussels DC", has won little popular support. But the debate over the city's status seems set to grow more heated.

In the meantime, Flemish parties may be worrying unnecessarily. In the 1994 European Parliament elections, only 24,000 non-Belgian EU citizens here bothered to vote.

And with Brussels' bewildering bureaucracy rivalled only by the amount of dog mess on the streets as the favourite topic of ex-pat conversation, any political party looking for the foreigner vote knows exactly what it needs to do.

NEWS FROM CAMPUS

Kenan-Flagler adds format to MBA programme

The Kenan-Flagler business school at the University of North Carolina at Chapel Hill has added a new format to its executive MBA programme.

As well as the existing evening programme, the school will offer a weekend-based course from January. The school believes the format will enable participants to travel from further afield.

Classes will take place on alternate weekends (all day Friday and Saturday) for 20 months with two week-long residencies for intensive course work.
Kenan-Flagler: www.bschool.unc.edu

Warwick dean to stand down

Bob Galliers, who has been the top man at Warwick Business School for the past four years, is to step down from the end of this month. He will be replaced as dean on an interim basis by Robert Dyson, presently deputy dean at the school.

Prof Galliers will remain at the school to continue his research and to teach information management. He will also support the school's international developments.

One reason given for his departure was to enable his successor to step in at the beginning of the school's latest expansion moves. These include new buildings and an international development programme.
Warwick: www.wbs.warwick.ac.uk

Internship at Simon school

The Simon school at Rochester University has announced an internship programme to encourage entrepreneurially-minded MBAs.

The internships will match students with executives in Rochester, New York, with whom they will work closely. The programme has been initiated following the donation of a $25,000 (£15,000) renewable grant from the Kauffman Centre for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation.
Simon (Rochester): www.ssb.rochester.edu

MBA targets entrepreneurs

Manchester Business School has teamed up with management consultants KPMG to launch an MBA for entrepreneurs, owner managers and others in small and medium-sized organisations.

The MBA in Entrepreneurship for Owner-Managed and Small or Medium-Sized Enterprises will start in January and will be a part-time programme. It will combine core business topics with specialist options such as managing the family business and venture and development capital.

The course can be completed in two to five years, the same as MBS's traditional part-time programme.

KPMG offices around the UK will be used to enable participants to use videoconferencing and internet facilities to take part.

● MBS will demonstrate the crucial importance of maintaining a close relationship with clients at a one-day seminar, Relationship Marketing, on Wednesday. The seminar is intended for middle and senior managers with strategic decision-making authority.
Manchester: http:// www.mbs.ac.uk

BUSINESS EDUCATION LONDON BUSINESS SCHOOL

A transatlantic dean in a hurry

John Quelch, LBS's new head, has three priorities. **Della Bradshaw** reports

The last two weeks have been a baptism of fire for John Quelch, newly-appointed dean of London Business School. On his first day in the job, July 1, he had to address 550 alumni at the LBS annual garden party. On July 2 he gave a speech to 1,300 people at the school's congregation ceremony. Two days later, he spoke to a similar number at the LBS summer ball.

"Given the high potential for overlap among the three groups, I couldn't just duplicate my remarks," he complains. But the exposure was good for him, he says, and for "jump-starting" his term at LBS. In fact, Prof Quelch gives the impression that it was exactly the sort of challenge he thrives on.

Prof Quelch comes across as very different from his predecessor George Bain, now vice-chancellor of Queen's University in Belfast. While Professor Bain was large and affable, Prof Quelch is small and precise, a man always in a hurry. One of his first acts has been to remove the sofa that graced the dean's office in the days of Prof Bain and replace it with a meeting room table and chairs.

While Prof Bain was a North American who spent most of his working life in the UK, Prof Quelch is a Brit who has worked mainly in the US, most recently at Harvard Business School where he was head of the marketing department.

One of his big interests there was brand marketing, an expertise he clearly intends to exploit at LBS: "One of my tasks is to create a more well-known global brand image. There are many good things happening here but it's like a light hidden under a bushel."

He has set himself a list on which are three priorities. The first is to raise awareness of the school generally.

The second is to talk about the issues that are important to multinational managers, much of which he believes is inherent in the research already carried out at LBS. And third, he aims to encourage the sort of research that addresses cross-border issues.

He cites the work of two of his professors, David Currie on the euro, and Sumantra Ghoshal on managing international organisations, as indicative of the type of work he intends to promote. "We have to make the individual faculty famous as well as the institution."

Prof Quelch says the scholastic excellence at the school was one of the things that persuaded him to take the job. "No business school can develop a scholastic reputation and strong standards overnight. It is quite remarkable that LBS has achieved the stature on the world stage that it has in only 38 years."

Marketing the academic achievement will be the easy part. "I think it is much easier to start with a strong scholastic base and solve the worldwide fame problem than to have a famous institution that does not value scholastic rigour."

Prof Quelch has another, more philosophical, reason for returning to the UK. "One reason I came back to Britain is that I don't believe it is in anyone's interests for the US to have a monopoly on high-quality business education, any more than it is in anyone's interests for the US to have a monopoly on popular culture."

Quelch: 'One of my tasks is to create a more well-known global brand image' Jason Orton

Prof Quelch has yet to decide on any big reorganisation of departments or courses, but says there are examples of "service excellence" that he will be promoting. He will continue the dual emphasis on general management and finance which has long been LBS's hallmark.

However, like rival dean Antonio Borges at Insead, in Fontainebleau, Prof Quelch is convinced that the school has to grow, and in particular increase faculty numbers from 75 to about 100 full-time.

And, again as with Insead, fundraising may prove a hot topic. The graduating MBA class of 1998 has pledged to raise £125,000 between the 240 of them as a class gift. The money will be raised during the next four years and be used to develop internet connections and an alumni-related web site. The biggest benefit of this, says Prof Quelch, is that it will encourage corporate donors.

BUSINESS EDUCATION MANAGEMENT TRAINING

UK gains by teaching the world to manage

Jaguar motor cars, West End musicals, whisky or Enid Blyton story books would probably top most people's lists of British exports. Few would think straight away of management training.

But nearly 40,000 students travel to Britain every year to study at business schools, bringing £428m ($706m) in revenues, according to the Association of Business Schools (ABS), the UK trade body.

In its annual review, *Pillars of the Economy*, published today, the association points out that postgraduates in business and management-related subjects account for 17.5 per cent of all UK postgraduates and the number enrolling at business schools has risen by 7.5 per cent over the past year. At present, there are 30,000 people enrolled on MBA programmes in the UK.

As well as the students who travel to the UK, a further 10,000 students are engaged with UK business schools through distance learning schemes, boosting the economy with a further £35m in invisible exports.

The ABS also believes that British managers benefit from the growth in UK management training. In particular, it points to the World Competitiveness League Table, produced by IMD in Lausanne, Switzerland, which ranked the UK in 11th position in 1997, a leap of eight places on the previous year. One of the contributory factors was the rise in the performance of UK management, which leapt from 23rd to 14th place. (However, the UK fell in 1998 and is now ranked 12th overall.)

ABS chairman Chris Greensted, director of the Strathclyde graduate school of business, concedes that the link between training and the rise in management performance is "hypothesis". However, the report shows that UK firms are spending more on training, with 96 per cent of large companies and 89 per cent of smaller businesses providing development opportunities.

Della Bradshaw

Doing business: a Palestinian market in Jerusalem's Old City Philip Wolmuth

BUSINESS TRAVEL ISRAEL

Milk and opportunity

Gillian Upton discovers why Israel is becoming such a popular destination

With an economy twice the size of neighbouring Egypt's, a fast-growing high-technology sector and generous incentives, such as tax holidays, for foreign companies, Israel is becoming an increasingly popular business destination.

"This is the land of milk and venture capitalists," says Wavell Magor, first secretary commercial at the British Embassy in Tel Aviv.

Fortunately, doing business with the Israelis is relatively straightforward. English is the second language after Hebrew and business law is similar to western legal practices, while company law is English-based.

"We are in the Middle East but it's easy for an English businessperson to do business as Israel is akin to a European culture," says Felix Kipper, executive director at the British Israel Chamber of Commerce in Tel Aviv.

Tel Aviv is Israel's commercial capital. It is a glitzy, frenetic metropolis, and expensive.

Taxis are metered but flat rates often apply, so check with your hotel concierge before setting off on any long trips. The average taxi fare between Tel Aviv and Jerusalem, the federal capital, is Shk170 (£30).

The 14km journey from Tel Aviv's Ben Gurion airport to downtown Tel Aviv should be around Shk56 and take about half an hour. Traffic flows better on Fridays when offices are closed for Shabbat.

Driving is recommended for any multi-city stay as roads and signs are good (most road signs on major roads are in English) and all the major car hire companies are represented.

Most business trips will include a visit to Jerusalem. It is home to the Knesset (Parliament), is popular for conventions held at the large exhibition hall, the ICC Jerusalem on the western edge of the city, and is the obvious leisure destination.

Cultural sensitivities are very much heightened in Jerusalem, where the Haredim, or ultra-Orthodox Jews, have a strong hold on the cultural agenda. It is wise to proceed with caution.

Some 35 per cent of Israel's economy already derives from hi-tech activity. The growth in the computer industry has been so rapid that the sector is suffering from a staff shortage nearing 5,000 employees.

Attempts to import programmers from India have been stopped by the Israeli government. It is conscious of both an unemployment rate of nearly 8 per cent and a flood of Russian, Romanian, Asian and African immigrants whose numbers nearly match those of the unemployed.

The country supports a highly educated workforce – there are supposedly more PhDs per capita here than anywhere else – but relatively high labour costs. It is losing parts of its manufacturing base to cheaper neighbouring countries.

The business traveller will find plenty of consumer items to spend money on. International hotels offer good accommodation.

In the capital, the Jerusalem Hilton is collecting all the bouquets. Near Jaffa Gate and overlooking the old city, it is an impressive and elegant, modern property with a high level of amenities. All rooms have fax and modem, there are two executive floors, grand ballroom and a handful of restaurants.

In Tel Aviv the oldest and most famous is the Hilton while the Sheraton and Crowne Plaza (Holiday Inn) are popular.

Travel facts

Hotels: (Tel 972 + 2 Jerusalem and 3 Tel Aviv) *Jerusalem:* Jerusalem Hilton, 7 King David Street, tel 621 2121, fax 621 1000. *Tel Aviv:* Tel Aviv Hilton, Independence Park, tel 520 2111, fax 522 4111. *Sheraton*, 115 Hayarkon Street, tel 521 1111, fax 523 3322. *Crowne Plaza*, 145 Hayarkon Street, tel 520 1111, fax 520 1114/22.

Car hire: Avis, Budget, EuroDollar, Europcar, Hertz and Thrifty all operate. Daily rate for group B car (five-door Punto) from Budget at Ben Gurion airport (tel 972 3 9711505) is US$67.

Restaurants: *Jerusalem:* Cavalier (French cuisine), 1 Ben Sira Street, tel 6242945.

Bars: around The Russian Compound area.

TRAVEL UPDATE

European flight delays worsen

The chances of getting away on time from Europe's airports continue to get slimmer. Figures from the 27-member Association of European Airlines show the number of aircraft departing more than 15 minutes late rose 4 per cent in May, compared with the same month last year. Both intra-European and long-haul flights were affected, with 22.2 per cent and 25.6 per cent held up respectively, against 18.2 per cent and 21.6 per cent the previous May.

Punctuality at UK airports improved in January, February and March, says the Civil Aviation Authority, with 83 per cent of flights leaving early or no more than 15 minutes late.

Hotline set up

A one-stop emergency service aimed at curing any problem, from a toothache in Russia to replacing lost flight tickets in Jakarta, has been unveiled by Thomas Cook, the travel agency.

Clients call a hotline with their card membership number and are transferred to an operator who speaks their language. A computer mapping system locates the country they are in and, where possible, the city and hotel. The operator can then tell them how to get to the nearest hospital, for example.

For the time being the service is being marketed mainly at companies with membership cards of their own such as airlines, car rental groups and hotel chains that operate loyalty schemes. Eventually it will be sold to individual travellers.

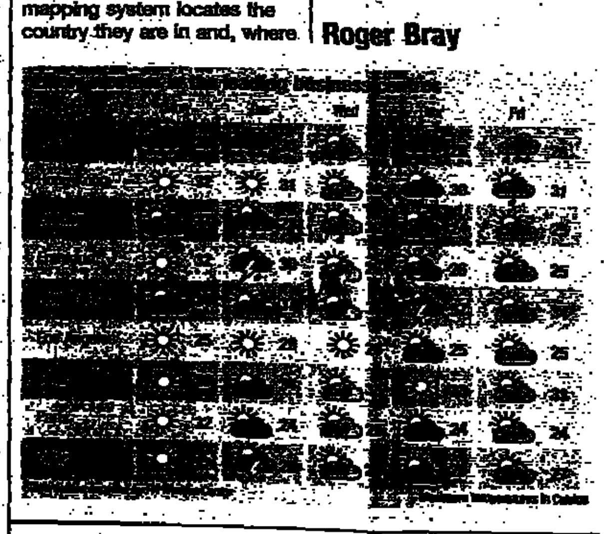
River approach

Virgin Atlantic, the airline, is offering to ferry premium-fare Upper Class customers into London by boat along the Thames from a jetty at Brentford to Tower Bridge. There will be a bus from Heathrow to the river and the journey will take about an hour. The free service starts next Tuesday.

Gremlins take off

Hong Kong's newly opened airport is overcoming the flight and baggage delivery delays that dogged its first days. The airport authority claims that within a week of opening the average departure hold-up was down from 1 hour 40 minutes to 12 minutes, with 54 per cent of aircraft getting away on schedule and 96 per cent within half an hour.

Roger Bray

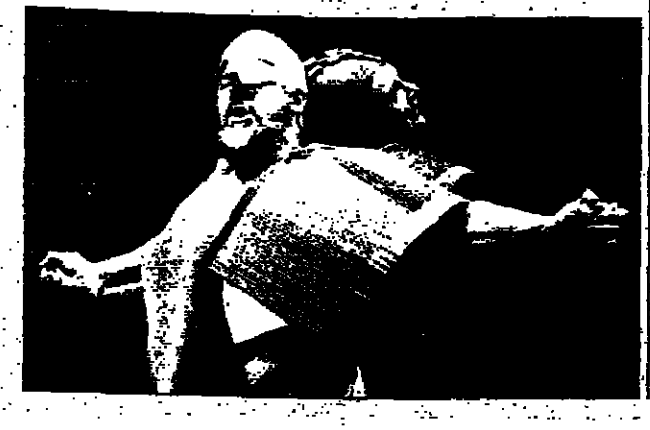


هكذا من الاصل

THE ARTS

OPENINGS

BAYREUTH
This is the Wagner festival's second consecutive year without a new production. Dieter Dorn's staging of *Der fliegende Holländer* is revived with Alan Titus in the title role and Cheryl Studer as Senta. The rest of the programme consists of Wolfgang Wagner (right) productions of *Meistersinger* and *Parsifal*, and a final showing of the James Levine/Alfred Kirchner *Ring*, with John Tomlinson (below left, with Deborah Polaski) as Wotan.



SALZBURG
The 1998 festival opens on Thursday with a choral concert in Salzburg cathedral conducted by Ivan Fischer. The first two opera premieres are *Mahagonny* on Friday, starring Catherine Malfitano and Gwyneth Jones, and *Katya Kabanova* on Sunday, staged by Christoph Marthaler and conducted by Sylvain Cambreling. The festival runs for six weeks, and includes a Beethoven cycle conducted by Sir Simon Rattle.

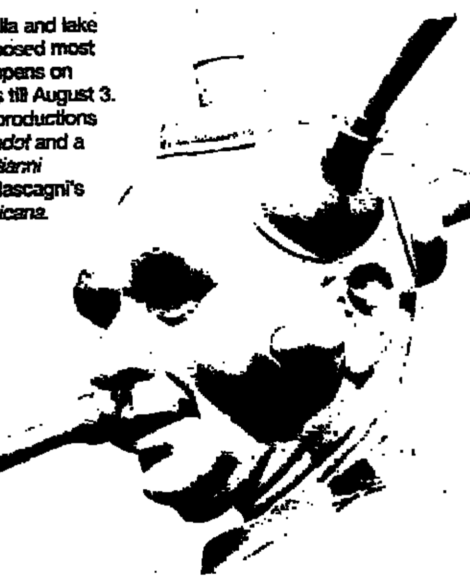
LONDON
The Open Air Theatre, Regent's Park, launches its annual musical this week: Jule Styne's version of *Gentlemen Prefer Blondes* opens on Thursday. Sara Crowe and Clive Rowe lead the cast.

At the Barbican, the Inventing America festival moves onto its latest production, *2.5 Minute Ride*, written and performed by Lisa Kron (below) at the Pit.

This weekend at the National Theatre, the eccentric genius of the fringe, Ken Campbell (right), presents his *Pidgin Macbeth* at the Cottesloe Theatre.

Film and theatre director Charles Sturridge (*Brideshead Revisited*) makes his opera debut tomorrow with a staging of Handel's *Tolomeo* for Broomhill Opera at Christ's Hospital, Horsham. This will be the first Italian-language production of the opera in the UK since Handel's day. Nicholas Kraemer conducts.

TORRE DEL LAGO
The open-air Puccini festival, adjoining the villa and lake where he composed most of his operas, opens on Friday and runs till August 3. There are two productions this year: *Turandot* and a double bill of *Gianni Schicchi* and Mascagni's *Cavalleria Rusticana*.



Maestro colours in the clarity

Yan Pascal Tortelier has finally found his own spotlight, writes **Andrew Clark**

It's all a question of background, says Yan Pascal Tortelier. "Nothing I do now, even if I take it as a compliment that my work as a conductor starts to blossom, is anything other than developing what I inherited from my upbringing."

Seated in the drawing-room of Tortelier's London flat, we are discussing his choice of works by Hindemith and Dutilleux for his Proms concerts this week with the BBC Philharmonic, and the increasing prominence of Lutoslawski, Elgar and Richard Strauss elsewhere in his programmes.

The link between all these composers is that their music was bread-and-butter to the Tortelier household in Paris in the 1950s. Some, like Dutilleux and Hindemith, were friends of his father, the cellist Paul Tortelier. "If I had not been exposed to Hindemith's beautiful Cello Concerto when I was a kid, and been introduced to him personally, I might not be playing his music today.

"My life in music emanates from everything I received at an early age. Even when I started conducting 20 years ago, I was looked on as the son of Tortelier, and I got engagements in that context. It has taken me 20 years to establish myself."

Tortelier, at 50, is finally acknowledging what the music industry has known for some time – that he has stepped out of his father's shadow. He no longer has anything to prove to himself, and this hard-won confidence is reflected in the standard of orchestras he is being invited to conduct. He recently made successful debuts with the San Francisco Symphony and Royal Concertgebouw. Next month he conducts the Boston Symphony at Tanglewood, and in October he has his first major engagement in Paris.

That should be another rite of passage – though not as fundamental as his decision, more than 20 years ago, to give up the violin in favour of conducting, or his subsequent move to the UK. Tortelier may have lost none of his Gallic charm in the process, but he can justifiably describe himself as "the most British of the French and the most French of the British".

Like his father, whose engagement by Beecham in 1947 launched his international career, Tortelier owes much of his success to the opportunities he found on the UK side of the Channel. Having raised the profile of the Ulster Orchestra in the late 1980s, he was appointed chief conductor of the BBC Philharmonic six years ago, beginning a love affair that has seen a steady rise in the orchestra's popularity – on CD as much as in the concert hall. It has never sounded better.

Tortelier may not yet count himself a natural interpreter of British music, "but I'm happy I've reached a level of collaboration with my friends in Manchester that allows me to test myself on Elgar's big works, which I wouldn't dare to do with other orchestras. I know I can count on the BBC Philharmonic to help me" – just as, in the opposite direction, Tortelier has enriched British musical life with his understanding of French repertoire. Debussy, Ravel, Dutilleux, Messiaen have long been his calling cards. So what are the prime qualities he looks for when he conducts their music? Colour or clarity?

"A mixture of the two. If it was strictly detailed, it could easily sound dry. If it was merely impressionistic, it could be mushy. The 'impressionist' label too often becomes an excuse for taking liberties. The challenge of French music is its mixture of freedom and rigour, and that's something that actually applies to all art. You have to grasp the detail and clarity first, before you can apply the colours and the elasticity in phrasing, which it must also have. Anglo-Saxon orchestras capture this well: a British player produces a more delicate and refined tone than the typical German, Russian or Japanese player."

Yan Pascal Tortelier: 'When you work on Dutilleux's score you realise that this man is a jeweller of composition' Clive Barda

And the typical French player? Tortelier admits he is a little nervous about his forthcoming debut with the Orchestre National de France. French orchestras have a reputation for being difficult; Tortelier himself played in one, in Toulouse.

"I find it frustrating, and occasionally absolutely wonderful, that the individual standard in a French orchestra can be so impressive. What destroys it all is that they remain terribly individual. The number one quality in an orchestra is ensemble, and ensemble is not by definition a French quality. This is a contradiction that the conductor has to cope with.

"Curiously, some of the best orchestral playing we had in France was during the German occupation. Although they're terribly individualistic, the French are very impressed with German authority."

And German music remains "the only universal language" for Tortelier. His choice of Hindemith's E flat Symphony for tonight's Prom reflects his admiration for a composer whose output is often dismissed because of its manufactured appearance.

"What appeals to me is a certain austerity, a classicism in the way it is made. If you only stick to the surface in Hindemith, you get bored – just as you do with Bach. But if you dig further, you will find originality, challenge, experiment, charm and wit. Yes, wit! As an interpreter, you have a duty to take the audience and musicians beyond the manufactured quality and find what lies behind."

The Prom on Wednesday includes the UK premiere of Dutilleux's *The Shadows of Time*, a 22-minute piece for orchestra and child's voice commemorating all children who were victims of the second world war. Flicking through the score, Tortelier cites movement-titles such as *Vagues de lumière* (Waves of Light) as indicative of the elusive quality of Dutilleux's music.

"It's a world of the imagination – evocative, poetic, the opposite of harsh, aggressive, down-to-earth. When you work on this score you realise that this man is a jeweller of composition: he has the art of creating sounds, colours, effects, as if he was working on diamonds."

Tortelier says it has taken time for the world to recognise Dutilleux, a process that reflects the composer's refusal to bow to postwar fashion on the one hand, and his slow, steady method of working on the other. "I always believe that when it takes more time, it has more depth," says Tortelier. "That's the way it is with Dutilleux. It's like wine. If it's a good wine to begin with, it can only get better and better." Just like Tortelier himself, really.

Proms Ticket Shop: 00-44-171-589 8212.

DANCE SWAN LAKE

Ugly duckling becomes a swan

The Royal Ballet's staging of *Swan Lake*, which has lately entered the repertory at the Coliseum, has the merit of getting better as it goes along.

It would, indeed, be hard for it to sink lower from the nadir of its first act. Here, eye and attention are everywhere distracted from the dance and the not-very-considerable dramatic action. There are ribbons, goblets, ancients with arquebuses, globes, a maypole, the creepiest tutor on record, dropped goblets, tipsiness, children, and that fearful air of "acting" that involves the shaking of heads and gesture of transcendant vapidity.

Only two things are missing: a bridge tournament, and any hint that *Swan Lake* is a lyric tragedy. Thereafter, sanity reasserts itself, though the mini-drama of a drunken cadet in charge of a loaded crossbow that precedes the arrival of the swans in Act 2 is a must for the cutting-room floor. The infuriating thing about all this is that the dance-text throughout the ballet is fine, and more accurate and more honourable than in any other production I know. We see Ivanov's and Petipa's dances, true and beautiful, and in them lies the great virtue of the piece. As they assert their hold over our imagination and, I suppose, as we get used to the decorative caprices of Yolanda Sonnabend's design (which also gains in grace as the staging progresses), we have a vision of *Swan Lake* that does not deceive us. Here is tragedy of resonant power that haunts the viewer as it haunts the score.

This performance brought the debut of Muriel Valtat as Odette/Odile, with William Trevitt as her Siegfried. I can but guess what feelings of stark terror attend such a first performance for an apprentice ballerina, with those stupid *fouettés* looming on the horizon to sap an artist's resolve. But Miss Valtat, clear of physique, secure in manner, took to the lake and to the vertiginous demands of the ballroom and, like the staging itself, got better as the afternoon went on.

Reflecting the central truth: the Royal Ballet's 'Swan Lake' Leslie E Spatt

Her account of the role is as yet a careful sketch, but she shapes the dances, looks for the poetry – shyly, but we sense that it *is* poetry – and we know that she will soon find more in the drama to fire her reading.

William Trevitt is also a slow starter in this staging, having to fight his way against the idiocies of the opening scene, but he is a sound partner, a clean and decent dancer, and by the third act, his portrait of a prince distraught at his fate is fired by vivid emotion. The last act, music and dance in one long-sustained elegiac phrase, is a proper culmination with the corps de ballet an exact reflection of the ballet's central truth.

The production sits well, if a bit murkily, on the Coliseum stage. Viktor Fedotov led a taut and cogent account of the score – the swan-maidens were brought on in Act 2 with speed – and and he was, as ever, an invaluable and attentive guide for Odette/Odile.

Clement Crisp

Coliseum, London.

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Olympic Gods: survey of the most beautiful classical deities in prints, drawings and photographs, on the occasion of the Gay Games in Amsterdam; to Aug 16

EDINBURGH

EXHIBITIONS
Royal Museum
Tel: 44-131-225 7534
www.nms.ac.uk
Chinese Lacquer: 48 objects selected from the museum's lacquerware collection, the oldest of which is more than 2,000 years old. Highlights include an eared cup from the Han dynasty and two 18th century Qing thrones; to Mar 28
Scottish National Portrait Gallery
Tel: 44-131-624 6200
Robin Gillanders: Little Sparta. Photographs of the painter Ian Hamilton Findlay's garden at Dunsyre in the Pentland Hills. Gillanders has been working there since 1993 and the display includes a range of collaborative works - posters, prints and postcards; to Nov 29

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
● The Mother of Us All: by Virgil Thomson. Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer; Jul 20

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Capriccio: by R. Strauss. Revival conducted by Andrew Davis and directed by John Cox. The Countess is sung by Kiri Te Kanawa until Aug 5 and thereafter by Felicity Lott. With the London Philharmonic Orchestra; Jul 22
● Rodelinda: by Handel. New production directed by Jean-Marie Villégier. With the Orchestra of the Age of Enlightenment conducted by William Christie; Jul 20, 24

GRAZ

DANCE
Opernhaus
Tel: 43-316-80080
● Kirov Ballet: Swan Lake; Jul 20, 21

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Philharmonic: conducted by Yan Pascal Tortelier in works by Bernstein, Ravel, *Gershwin and* Hindemith. With piano soloist Louis Lortie; Jul 20
● BBC Philharmonic: UK premiere of The Shadows of Time by Henri Dutilleux, conducted by Yan Pascal Tortelier. Programme also includes works by Tchaikovsky and Poulenc. With the Chester Festival Chorus and the London Philharmonic Choir, and soloists Alison Hagley and Edward Burrowes; Jul 22
● *BBC Symphony Orchestra:* world premiere of a new work by Julian Anderson conducted by Andrew Davis. Programme also includes works by Elgar, Bruch, and Vaughan Williams; Jul 21
Wigmore Hall
Tel: 44-171-935 2141
Rodney Gilfry: recital by the baritone of a programme including works by Schubert, Schumann and Gershwin. Accompanied by Roger Vignoles; Jul 24

EXHIBITIONS
Concourse Gallery, Barbican Centre
Tel: 44-171-638 8891
www.barbican.org.uk
Absolut Cobblers: shoes as art, created by some of Britain's leading shoe designers and shown alongside work by students of Cordwainers College; to Aug 16
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Bruce Nauman: spanning the career of the American artist, b.1941, *this exhibition focuses on* his relationship with language, and includes sound and video installations as well as neon pieces like One Hundred Live and Die (1984). *The exhibition has been* seen in Paris and will travel to Helsinki; to Sep 6
National Gallery
Tel: 44-171-839 3321
Venice through Canaletto's Eyes: taking the form of a journey along the Grand Canal, this display brings together 23 paintings and drawings of the artist's native city, mainly drawn from British collections; to Oct 11

OPERA
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Angel Magick: London premiere of this specially commissioned one-act opera by John Harle, conducted by John Harle in a staging by David Pountney; Jul 21
● Falstaff: by Verdi. Semi-staged production directed by Ian Judge. With the Monteverdi Choir and Orchestre Révolutionnaire et Romantique conducted by John Eliot Gardiner; Jul 25

MUNICH

OPERA FESTIVAL
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Don Giovanni: by Mozart. *Conducted by Peter Schneider in a* staging by Nicholas Hytner, designed by Bob Crowley. Cast includes Alison Hagley; Jul 23
● *Elektra: by R. Strauss.* Conducted by Peter Schneider in a staging by Herbert Wernicke. Cast includes Marjana Lipovsek; Jul 20
● *Simon Boccanegra:* by Verdi. Conducted by Fabio Luisi in a staging by Tim Albery, with sets by Hildegard Bechtler and costumes by Nicky Gillibrand. Cast includes *Amanda Roocroft and Alan Opie;* Jul 21

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
www.santafeopera.org
Beatrice and Benedict: by Berlioz. New production directed by Tim Albery and designed by Jennifer Tipton. Susan Graham will sing the *role of Beatrice, with Elizabeth* Futral as Hero. The conductor is Edo do Waart; Jul 22

SCHLESWIG-HOLSTEIN

CONCERTS
Schleswig-Holstein Music Festival
Tel: 49-431-567 080
● Filarmonica della Scala: conducted by *Rafael Frühbeck de* Burgos in works by Mendelssohn and Respighi; Musik- und Kongresshalle, Lübeck; Jul 21
● *Philharmonie der Nationen:* conducted by Justus Frantz in works by Liszt and Bartók. With piano soloist Stanislav Ioudenitch; *Schloss, Kiel; Jul 23*

ST PETERSBURG

EXHIBITION
State Hermitage Museum
French Master Drawings from the Pierpoint Morgan Library: part of a historic cultural exchange, featuring 120 drawings, sketchbooks and albums drawn from the Library's permanent collections. Highlights will include works by Cézanne, *Delacroix, Ingres and Poussin; to* Jul 25

STUTTGART

OPERA
Staatsoper Stuttgart
Tel: 49-711-202090
● Alcina: by Handel. New production by Jossi Wieler and Sergio Morabito, conducted by Alan Hacker, with designs by Anna Viebrock; Jul 20
● *Tosca: by Puccini.* New production by Willy Decker, conducted by Lothar Zagrosek; Jul 21, 24

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
● Nagoya Philharmonic: conducted by Ken-ichiro Kobayashi in works by Smetana *and Saint-Saëns; Jul 20*

DANCE
Orchard Hall, Bunkamura
Tel: 81-3-3477 9999
● National Ballet of Spain; Jul 25

VERONA

OPERA
Arena di Verona
Tel: 39-045-800 5151
www.arena.it
● Tosca: by Puccini. New production by Giuliano Montaldo, with sets by Luciano Ricceri. Cast includes Ruggero Raimondi and the conductor is Angelo Campori (Zubin Mehta 7-14 Aug); Jul 25
● Un Ballo in Maschera: by Verdi. New production by Giuliano *Montaldo with sets by Luciano* Ricceri. Conducted by Daniel Oren (Angelo Campori on Aug 26). Maria Guleghina sings; Jul 24

YOKOHAMA

EXHIBITION
Sogo Museum of Art
Tel: 81-45-465 2361
● Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief *period of the artist's fame; to Jul* 20

■ TV AND RADIO

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19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Malaysia's reality check

After months denying the depth of his country's crisis, there are signs Mahathir may be ready to take appropriate action, says **Sheila McNulty**

Mahathir: facing the biggest crisis of his career — *Ashley Ashwood*

When financial disaster struck Asia last year, Mahathir Mohamad, Malaysia's prime minister, said that, for his country at least, the crisis would be over in six months. Malaysia did not need structural reform. Its economy would grow – albeit modestly – in 1998. The banking system was not in danger. And Malaysia would never undertake reforms prescribed by the International Monetary Fund in return for financial assistance.

Twelve months later, those words ring hollow. Economists are predicting the economy will shrink by at least 5 per cent this year, the first contraction in 13 years. The likelihood that Malaysia will be forced to seek IMF assistance is increasing.

"They don't need it now. But as the economy deteriorates further, it becomes a larger risk," says Daragh Maher, economist at ING Barings.

Even experts have been surprised by how swiftly the economy has worsened. The lack of transparency in private accounts makes assessing the depths of the crisis difficult. And tighter control of an already timid media will make it harder.

But the economy is slowing so fast that window-dressing is no longer enough. True, Malaysia does not have the high level of foreign debt that overwhelms its neighbours. The near-halving in the value of the ringgit has not hurt as much as devaluations elsewhere. But domestic lending, at 170 per cent of gross domestic product, was the highest in south-east Asia when the crisis struck. Banks are so overwhelmed with mounting unpaid loans – some believe they will account for one-third of all loans by 1999 – that they have all but stopped lending. Share prices have plunged so far that 97 companies traded below their initial public offer prices this year.

Companies are starved of cash. They want to sell assets, but few Malaysians are buying. In a rare show of boldness, the Securities Commission said it wanted the foreign equity limit in local stockbroking firms to rise to 70 per cent (from 49 per cent) to support those in trouble. Though its request was turned down, Anwar Ibrahim, finance minister and deputy prime minister, indicated last week that Malaysia might review foreign ownership restrictions for some companies.

It might have to. Even big and well-placed companies are succumbing to the economic battering. Time Engineering, a unit of Renong, an infrastructure conglomerate with good political connections, last week became the latest in a string of companies to seek court protection from creditors.

But Dr Mahathir has thus far bitterly resisted any attempt to let foreign investors assume control of local companies. He fears that if he opens the door to them and, by extension, to the IMF, it could sound the death-knell of a system he has nurtured for 17 years.

Through his "national service" system companies were given privileges in return for performing (unprofitable) public deeds. A race-based affirmative action policy, financed by years of rapid growth, enabled the historically poorer, Malay majority to progress.

Economists are now blaming those years of affirmative action and "corporate cronyism" for stifling competitiveness. They say the policy of "growth at all costs" caused the imprudent lending that now overwhelms banks.

Many economists argue that Malaysia will have to reform, just like its neighbours. Either it can drag the process out, *à la* Japan, or get it over with. "The economy has to go through the adjustment process," says Kostas Panagiotou, senior economist at Kim Eng Securities. "There is no going back – with or without the IMF."

As economic news has gone from bad to worse, Dr Mahathir appears to have realised this. Over the past few weeks, he has dismantled Malaysia's austerity package and sidelined its author, Anwar Ibrahim. He has elevated Daim Zainuddin, his confidant and chief economic adviser, to the cabinet to oversee a new expansionary economic policy.

But, despite the change of heart, Dr Mahathir is having a last stab at doing it his way. He hopes to get money through the backdoor, without IMF strings attached. Malaysia wants to spend M$12bn ($2.9bn) on infrastructure and social development; it needs M$25bn to buy non-performing loans and assets from financial institutions; and economists reckon it could require up to M$40bn to recapitalise banks.

Dr Mahathir is seeking aid from multilateral agencies, and wants to raise cash through bonds issued to foreigners. Obtaining credit should be possible given Malaysia's relatively low foreign debt, but raising money in the international capital markets might take more time than Malaysia can spare.

Dr Mahathir has not exactly endeared himself to investors with his endless haranguing. For the past 12 months he has accused foreigners of abandoning Malaysia's markets as part of a conspiracy. And only weeks ago, he was warning of a violent Asian backlash if foreigners took advantage of the crisis by seizing control of regional economies.

Neither can investors be certain what homespun remedy Dr Mahathir will choose to finance next. Nor can there be guarantees that money will not be wasted on reviving the broken businesses of the well-connected. Any bonds issued by Malaysia will doubtless carry a substantial risk premium.

This is Dr Mahathir's final effort to avoid opening up the economy. But there are signs that he is preparing to give ground. The very fact that his government admits the economy will contract – even though it is still underestimating the depth of the recession – suggests he knows he is facing the biggest crisis of his career.

Recent comments indicate Dr Mahathir would rather be remembered for reviving the economy than bankrupting the nation. "If we still cannot solve the economic problems, maybe one day we will have to bow to the IMF," he said in a revealing moment. That day may come sooner than he thinks.

LETTERS TO THE EDITOR

Oil and gas industry best prospect for triggering Russian growth

From Mr Frank Duffield.

Sir, Your leader "Aiding Russia" (July 13) explains very cogently why there is "no sensible alternative" to giving Russia a financial support package capable of providing the breathing space needed to pursue the reform policies to which this Russian government appears to be committed.

However, this breathing space will be to no avail if measures are not taken now to encourage long-term and sustainable growth in the Russian economy. Investment in the regeneration and further development of Russia's oil and gas industry offers the best and, possibly, the only prospect for triggering this growth.

I have had the privilege of managing until recently the one oil and gas project in Russia (the Sakhalin II project) in which significant foreign capital has been invested over the past three years. I have experienced at first hand the immediate positive social and economic impact such investment has had at the regional level. At the same time I have experienced the challenges of assessing and managing the risks of such investment in the current Russian fiscal and legal environment. Those challenges are formidable.

The Sakhalin II project was able to get under way, with the support of finance from the European Bank for Reconstruction and Development and other multilateral credit agencies, due to a number of particular circumstances. But investors and lenders have made clear that, in common with other projects, they will find further investment very difficult to justify without the passage of legislation to provide a stable, long-term legal and fiscal basis for investment.

A number of measures, such as a tax code and production sharing laws, have been pending for some time. It may not be appropriate to include enactment of these in a list of policy conditions to be prepared by the International Monetary Fund. But it is critical the Russian government be pressed to progress this legislation. Without it investment will not occur and the support package will be no more effective than a bandaid applied to a slashed artery.

F D Duffield,
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Share price a fair measure of management

From Mr Malcolm Kitchen.

Sir, Brian Fenwick-Smith argues (Letters, July 15) that "management remuneration should return to a link with long-term performance of the company" and against tying remuneration to the performance of shares. I agree with his first point, but would argue that measures based on the share price provide the best way of establishing such a long-term link.

The linking of remuneration to accounting performance measures such as profit or earnings per share is far more likely to encourage short-term decision making. Financial and management accounts contain only historic information, while the market discounts a company's future prospects in its share price. Investment in the future can therefore be reflected in the share price, while the accounts will record only the short-term cost.

Volatility of share prices is not evidence of short termism by investors but reflects the reality that the world is an uncertain place and that expectations of the future can change quickly. No measure of management performance is perfect, but the total return to shareholders, taken over a sufficiently long period, still appears to be the best available at present.

Malcolm Kitchen,
Hoare Govett,
4 Broadgate,
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Potential for expensive confusion

From Mr Giles Davison.

Sir, The current discussions about Emu and the introduction of the euro have not yet recognised a potential source of considerable confusion for UK traders buying and selling goods and services with trading partners in the 11 participating states. These trading relations, negotiations and individual contracts will inevitably use the official EU exchange rate in the format of 1 euro = Z GBP.

It had been thought that all banks in London would follow suit but, if market reports are correct, apparently some banks plan in their retail business with UK traders to continue to quote the euro in the form 1 GBP = X euro. These are probably still mainly plans, but in the forward forex market there must already be an increasing volume of transactions involving UK traders maturing in 1999.

The concurrent use of two methods of quoting the exchange rate for the euro can only lead to confusion, misunderstanding and losses for UK traders doing business in euro within the EU, the UK's largest market.

It is to be hoped that all banks will on reflection use the 1 euro = Z GBP format in their retail business.

Giles Davison,
3 Queenswood Park,
London N3 1UN, UK

All lose out by Commission's extra duties on cotton fabrics

From Mr Mathew Kalkumpram.

Sir, You reported ("Brussels action wins support", July 14) that four EU states – Italy, France, Spain and Portugal – defended the European Commission against strong protest by eight states about the "regrettable decision" of the Commission to impose extra import duties on unbleached cotton fabrics from six eastern countries.

These states are either unaware of, or deliberately ignoring, the faulty procedure of the Commission in confirming dumping on the basis of "constructed", namely made up, figures. The disclosure documents issued by the Commission in April bear out that the values were "constructed". The four states are under an illusion they are beneficiaries of the Commission's incorrect action. In reality, they are as much losers as the eight states which protest.

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ECONOMICS NOTEBOOK *ROBERT CHOTE*

Lessons from the past

As the launch date of the euro on January 1 1999 draws ever nearer, it is a sobering thought that as many currency unions have collapsed during the 20th century as have been created.

The Austro-Hungarian empire, Czechoslovakia, Yugoslavia and the Soviet Union have all seen political disintegration accompanied by monetary dismemberment. Only five significant currency or exchange rate unions have been created, of which four survive (the Belgium-Luxembourg monetary union, the CFA zone in francophone Africa, the Common Monetary Area in southern Africa and the East Caribbean Currency Area) and one has collapsed (the East African Community).

Using historical parallels to assess the prospects for European monetary union is not easy because there is no precedent for the creation of a cross-border monetary alliance on anything like this scale. But there are some lessons from the ways in which nation states have asserted, shared or surrendered monetary sovereignty in the past that remain relevant.

Michael Mussa, economic counsellor at the International Monetary Fund, expresses the conventional view of monetary sovereignty thus: "Virtually all the world's nations assert and express their sovereign authority by maintaining a distinct national money and protecting its use within their respective jurisdictions. Money is like a flag; each country has to have its own."

But although money has been used since the dawn of modern civilisation, it was not until the 19th century that western governments first claimed the right to monopolise control over its issue and management. Until then foreign coins could enter a country and circulate without particular restriction.

The experience of the US was typical. As late as 1830 almost one-quarter of the coins circulating in the country were Mexican pesos. Gold coins from Britain, France, Portugal and Brazil also circulated widely, enjoying explicit protection from Federal legislation. During the 1850s new US silver and copper coins were introduced and shortly afterwards the dollar became the country's sole legal tender.

History suggests that successful currency unions depend on political objectives

Indicators of international currency use
1=greatest, 3=least

Characteristic/indicator	Germany	US	Japan
Advantages of incumbency	2	1	3
Control of inflation	1	2	2
Behaviour of exchange rate	2	3	1
Net creditor/debtor position	2	3	1
Economic size			
(a) Real output	3	1	2
(b) Foreign trade	2	1	3
Quality of financial market	2	1	2
Official attitudes	2	1	2
Share of international assets	2	1	3
Private holdings abroad	2	1	3
Trading in currency markets	2	1	3
Use as peg	2	1	2
Use to invoice trade	2	1	3

Source: Frenkel and Goldstein in Fifty Years of the Deutschmark, edited by Deutsche Bundesbank, Oxford University Press, forthcoming

Fully fledged national currencies emerged in Europe and Japan at around the same time. In the wave of decolonisation that followed the second world war it was taken for granted that each nation would want its own central bank and currency.

More recently, the Baltic states of Estonia, Latvia and Lithuania saw the creation of new currencies as a natural complement to their new-found independence when the Soviet Union dissolved in late 1991. The other republics tried to maintain the rouble zone, but it collapsed as they scrambled to appropriate real resources with money in effect printed unwillingly in Moscow.

Benjamin Cohen, at the University of California (Santa Barbara), says nation states gain from monetary monopolies in four ways.*

First, as in the Baltic states, political symbolism. Second, seignorage – the difference between what a currency costs a government to produce and the resources it can command from the private sector. Of value even in normal times, Charles Goodhart, a professor at the London School of Economics, calls seignorage the "revenue of last resort". Third, the scope to influence economic activity by changing interest rates and the exchange rate. Fourth, insulation from foreign influence. For example, Panama's use of the dollar allowed the US to cripple its economy while trying to displace General Manuel Noriega in 1988.

Entering a monetary alliance, such as a single currency, dilutes all these gains. But there are benefits too.

For one thing, political symbolism works both ways.

> **'Not a single monetary union in the past came about because of a recognition of economic benefits of the union'**

It is conventional wisdom that progress towards monetary union in Europe is driven as much by the desire to promote political union as by an assessment of economic pros and cons. The repeated efforts to forge a workable monetary union in the German "Zollverein" customs union last century had a similar motivation.

Another gain is an improved power position in relation to the outside world. As the table constructed by Jacob Frenkel and Morris Goldstein shows, the D-Mark lags behind the dollar in most dimensions that determine a currency's international attractiveness. Monetary union will make it a closer fight, although not as quickly as some might like.

Economists argue that monetary sovereignty should be pooled if the microeconomic benefits of reduced transaction costs, greater price transparency, industrial specialisation and increased trade and investment flows outweigh the macroeconomic flexibility that has to be sacrificed. This depends on many variables, including wage flexibility, fiscal arrangements and the external disturbances an economy faces.

But as Paul de Grauwe, at the Catholic University of Louvain, says: "Not a single monetary union in the past came about because of a recognition of economic benefits of the union. In all cases the integration was driven by political objectives."

Professor Cohen argues that political factors also determine whether currency unions survive. Two characteristics matter. First, is there a a dominant state (or hegemon) willing to keep the arrangement functioning effectively on terms acceptable to all? Second, is there a genuine sense of community that will override the temptation for a participant to exploit its fellows or exit?

"Where both are present, they are a sufficient condition for success," he argues. "Where neither is present, unions erode or fail." The Belgium-Luxembourg monetary union typifies the former; the East African Community typifies the latter.

What of Emu? One of the arguments for the single currency is that it waters down the hegemonic role Germany played in the European exchange rate mechanism. As for a sense of community, it has been strong enough to drive the process so far.

But it is here that economics surely enters the equation again. Europe's sense of community is far stronger among its political elites than its electorates. If Emu delivers a poor economic outcome, the political glue may not be strong enough to withstand popular dissent.

**The Geography of Money*, by Benjamin J Cohen, Cornell University Press 1998.*

FINANCIAL TIMES

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Monday July 20 1998

Bringing tyrants to justice

Fifty years after adopting the United Nations' universal declaration of human rights, the international community has taken another historic step. The Rome agreement to create a court to try war crimes is a landmark in the quest for a more decent world.

Bringing tyrants and torturers to book will still be difficult. The court can act only if the country where the atrocity has taken place is a signatory to the agreement. Nor does the treaty make the use of chemical and biological weapons a criminal offence, and it has inadequate provision for internal conflicts.

Despite these and other weaknesses the treaty is a great achievement. For the first time, there will be a permanent court, based at The Hague in the Netherlands, with its own independent prosecutor, staff and 15 judges. They will try cases of genocide, crimes against humanity, war crimes, and aggression.

There would be more reason to celebrate, however, if the United States had been a signatory. Instead it has joined China, Sudan and Libya as one of the handful of countries voting against it.

Washington remained adamant that US troops serving around the globe should be subject only to justice meted out by US courts. This reflected the fear that its soldiers serving abroad could become vulnerable to politically motivated prosecutions. It also had much to do with the long-standing antipathy to the UN of Senator Jesse Helms, the powerful chairman of the Senate foreign relations committee.

Yet the treaty includes adequate safeguards against improper use of the court's powers. This will complement, not replace, national judicial bodies, intervening only when a domestic legal system has been shown to fail. There are also measures to prevent the prosecutor from abusing the office. And in an attempt to secure the agreement of Washington and other waverers, the treaty contains a clause that allows signatory states a seven-year opt-out from provisions regarding war crimes.

These terms were sufficient to allay the concerns of France, which like the US has troops stationed across the world, as well as Britain, Canada and other governments usually sympathetic to Washington's viewpoint.

The hint by the US that it will now "actively oppose" the court from its inception and review its troop commitments in Europe and elsewhere seems unfortunately petulant.

Ratification of the treaty requires the signatures of 60 countries, a process that could take up to five years. In that time the superpower that sees itself as guardian of the world's conscience should think again. Otherwise it could jeopardise its claim to the moral high ground in international affairs.

Military markets

The termination of the merger between Lockheed Martin and Northrop Grumman has sent a confused signal to the US defence industry. But it does not mean its structure is to be frozen after five years of consolidation.

It is true that this was the last possible deal on the scale of Boeing's purchase of McDonnell Douglas or Raytheon's of Hughes. But there are other smallerPentagon suppliers that could change hands, and Northrop's days as an independent entity still seem numbered, with Lockheed at the head of the queue for its assets.

The US government's block on the merger, and its refusal to accept compromise offers, has left the Pentagon's policy on consolidation of the industry opaque – especially as a long sequence of green lights was followed abruptly by a red one. The Pentagon professes itself to favour both consolidation and competition. It has given no indication that it would block future deals unless they raise anxieties about the combination of vertical and horizontal integration as they did over airframes and electronics in the Lockheed case. The sale of Tracor, a defence electronics company, to GEC of the UK was cleared quickly. Further tests will be needed to establish the Pentagon's stance more exactly.

For the benefit of the US taxpayer, the Pentagon should obtain value for money in procurement in other ways than encouraging mergers and acquisitions. The restructuring since 1993 will not result in lower costs unless companies that have survived become leaner – and the Pentagon is still funding substantial overcapacity. It also needs to push forward with reforming procurement along commercial lines, so that companies that are not specialists are prepared to do business with it. This would drive down prices.

Having enough players to make a competitive market is important. But in an industry requiring large development spending to make a relatively small and dwindling quantity of products, the playing field has to be global: to this extent, Washington's stance on the Lockheed/Northrop deal may be misguided.

But a different view may be taken from Europe, where much restructuring remains to be done. Its companies will need to compete with US rivals such as Lockheed that will want to expand into Europe as they reach the limits of domestic growth. The US experience provides several lessons: clarity of competition policy is vital – so far, there has been no signal from competition authorities. And the global marketplace must work both ways: Europe has to keep pressure on the US to make procurement more open to foreigners.

Iraq's ruin

Last Friday Saddam Hussein celebrated the 30th anniversary of the coup that brought his Ba'ath party to power in Iraq. With characteristic vainglory, he told his suffering people that United Nations sanctions in force since his 1990 invasion of Kuwait were crumbling, but that if they were not lifted this year, he would again defy the world.

An Arab leader who first met Mr Saddam shortly before he seized total power in 1979 recalls that in the car ride from Baghdad airport the Iraqi leader ostentatiously put a pistol on the seat between them. He remembers thinking at the time that "we are going to have a problem with this man". But who could have guessed how total would be the ruin the Iraqi despot has brought upon his people?

When the pan-Arab nationalist Ba'ath (Renaissance) party took power in 1968, Iraq had a per capita income of barely $600, in 1990 dollars. The two oil shocks of the 1970s had raised this to $5,521 by 1980. By then Saddam had eliminated all potential rivals. Iraq was taking off. It had oil, it had water and it had built one of the best education systems in the developing world.

But oil wealth and Egypt's withdrawal from the confrontation with Israel through the Camp David peace treaty of 1979 gave Mr Saddam other ideas. Instead of being the cultural hinterland and industrial powerhouse of the Arab world, he wanted Iraq to be a regional military power. By the end of the savage 1980-88 war against Iran, Iraqi per capita income had fallen to $3,590, and would have been much lower but for $80bn in Arab and western loans. The cost of his next adventure in Kuwait was much higher. By 1995, sanctions had reduced per capita earnings to $336. Even with the relaxation of the embargo from 1996 through the oil-for-food facility, many Iraqis are close to starvation.

Whereas it used to be said that Arabic books are written in Cairo, published in Beirut, but read in Baghdad, it is more common in the Iraqi capital now to see people selling off their libraries to feed their children.

By refusing to come clean on all his weapons of mass destruction, Mr Saddam has foregone more than $100bn in oil revenue, and all but written off the future of the next generation of Iraqis. It does not look as though he plans to stop there. A new crisis seems inevitable, with most bets placed on the autumn.

There is only one way to avoid it. Baghdad must comply with UN weapons inspectors and then demand that sanctions be lifted. That is the best hope for the Iraqi people – not another adventure by the self-proclaimed "Sword of the Arabs".

What price information?

Reuters, Bloomberg and Bridge are locked in battle. But, says **John Gapper,** freer access to financial data could challenge all their businesses

When United News & Media, the British media company, launched an internet site carrying up-to-date foreign exchange and bond market prices this spring, its ambitions were modest. "Reuters, Bloomberg and Bridge have a fantastic wealth of content, but most corporate treasurers do not need that much," says Bill Foy, who runs the Money and Bonds site.

For £50 a month, subscribers can check rates for foreign exchange swaps and bonds supplied by United's money-broking subsidiaries Garban and Harlow Butler. This compares with the $1,200 (£730) a month charged by Bloomberg, the US company that is one of the big three global providers of real-time financial data.

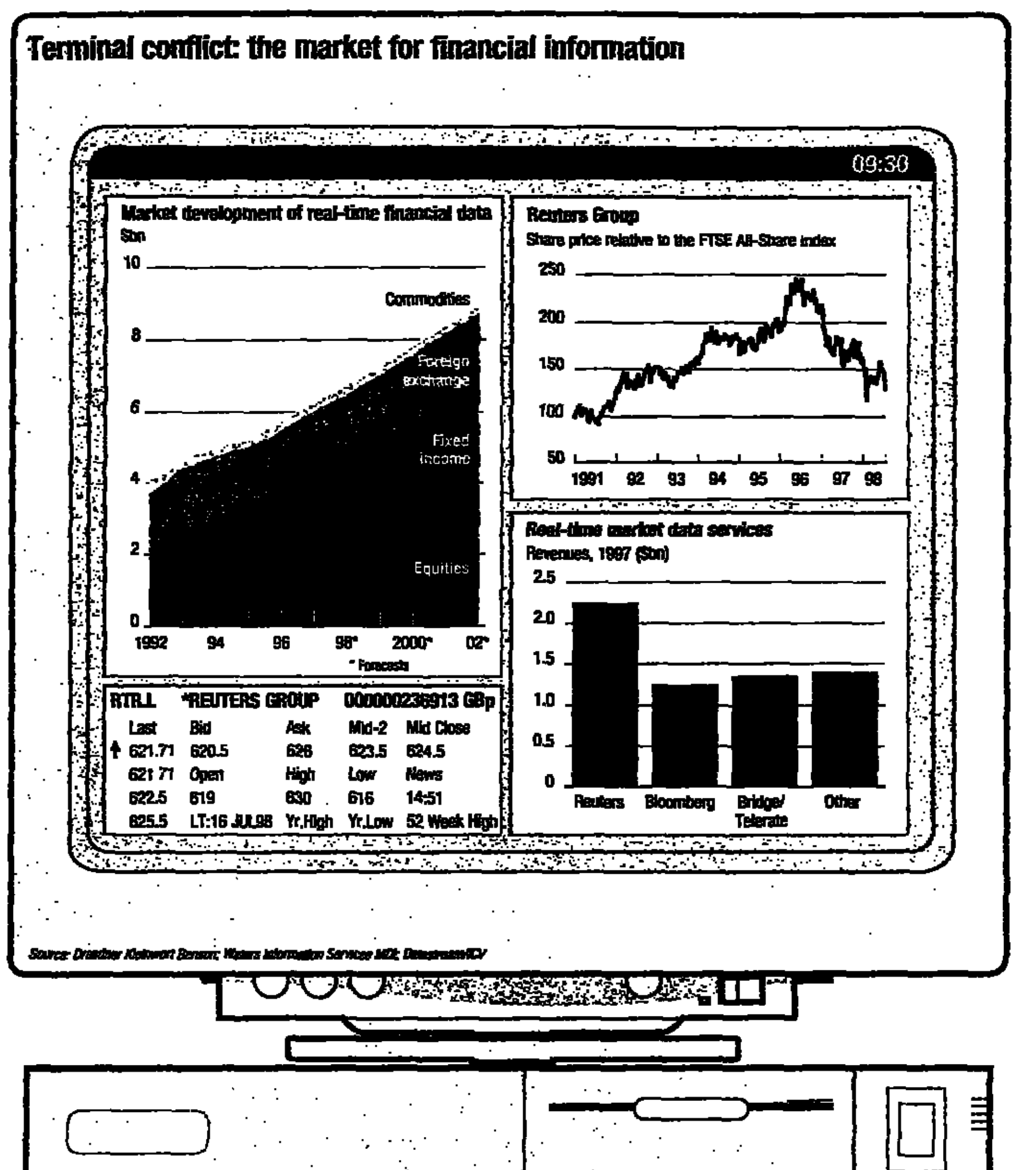
Initiatives like Money and Bonds show the way the global market for financial information is changing. At one end, some people are willing to pay premium rates for highly sophisticated real-time information. But others – potential subscribers of the United News service – want cheaper access to more basic data. For the first time, investment managers, corporate managers and private investors can get at some of information once confined to banks and brokers subscribing to private networks such as Bloomberg and Reuters.

"The financial world is starting to become more democratic," says Thomas Wendel, chief executive of the US company Bridge Information Systems. "The rate of growth is significant and will continue to be strong for a long time. There are more affluent people in the world, and more money is being put in the hands of money managers."

According to some estimates, the market for real-time data used in financial trading could grow to £9bn by 2002, compared with about £7bn today. Demand for historical and analytical data used by fund managers to make investment decisions is growing even more rapidly. Yet such rosy prospects have, if anything, sharpened competition among the largest companies:

- Bridge has been on a buying spree that has seen it overtake Bloomberg by number of terminals installed in trading rooms. In March, it bought Telerate, which provides bond data, from Dow Jones, publisher of the Wall Street Journal, for $510m. Last week, it paid an estimated $150m for Automatic Data Processing, which supplies real-time US equities prices.
- Reuters has been pushing aggressively into the US, trying to attack Bloomberg's dominance in bond-pricing data and analytics. Its effort was disrupted earlier this year when it emerged that Reuters was being investigated by a US grand jury over allegations that it had taken proprietary information from Bloomberg's database.
- Bloomberg and Reuters have both been trying to extend their brands among retail investors by licensing their information for distribution, with Bloomberg paying America Online to distribute its news services. Yet they face competition from internet suppliers such as Quote.Com and Microsoft Investor which now supply 20-minute delayed data.

"We are in a strong period, but it is nothing like the boom of the 1980s when demand for screens took off," says Andrew Delaney, editor-in-chief of Waters Information Services, which monitors real-time data. "The companies hope the pie will grow from delivering data in new ways, but that is by no means proven."



Source: Dresdner Kleinwort Benson; Waters Information Services MDI; Datastream/ICV

The changing nature of the market has brought considerable uncertainties to the big three, and those that would challenge them. The battle is on to see which of them will prosper as the established wholesale market grows more competitive and complex. The scrap will be fought out as information providers try to find new customers among private investors and corporate managers unwilling to pay as much for terminals as professionals on trading floors.

The first challenge in the wholesale market is to combat a threat of a cyclical downturn in demand. This could be provoked both by the consolidation of investment banks and by the financial crisis in Asia. Michael Bloomberg says the rate of growth in Bloomberg terminals has slowed, and analysts are awaiting Reuters' interim results this week for signs of similar weakness.

A second challenge is the growing tendency for the largest companies to compete in each other's traditional areas of specialism. Just as investment banks such as Goldman Sachs and Salomon Brothers have expanded out of niches in equities and bond trading, so information providers have followed. They now offer a vast range of data across many markets.

The costs and risks of operating in this manner are large. Mr Bloomberg argues that he is not worried about competitors trying to break into the US corporate bond-pricing business because it is so expensive to try. "We have 1,200 odd people working on that business, and they have been doing it since 1981. It is a massive task," he says.

The risks were shown by Dow Jones, which sold its Telerate subsidiary after realising it needed to invest $650m just to update the technology. "When you let yourself slip, you can fall down a very steep and slippery slope," says Jean-Claude Marchand, head of Europe for Reuters, which invests 7 per cent of annual turnover on research and development.

Probably the greatest challenge for established firms is to maintain their grip on distribution as technology advances. Much of the business of operators such as Telerate was founded on redistributing information from inter-dealer brokers such as Cantor Fitzgerald or Garban. These brokers are now able to distribute such data in other ways.

Growing sophistication in financial markets also means that large banks and brokers want to combine data from suppliers in their own ways, rather than relying on firms like Bloomberg to provide a finished – aggregated – product. The result has been increasing pressure on Bloomberg, Reuters and Bridge to supply raw data for others to manipulate.

Bloomberg has proved the most reluctant of the big three to do this, although its Open Bloomberg now allows limited manipulation of data. In contrast, Reuters has made a virtue of supplying data in an open form. "Our view is that most of our customers know exactly what they want, and how to get it themselves," says Mr Marchand.

Others are sceptical, arguing that it is too expensive for most banks to manipulate data. "Some customers want to do it themselves, but I think it will be a short-lived experiment," says David Flaschen, president of Thomson Financial Services. Mr Bloomberg concurs: "The IT guys will say they can replicate us, but there's no chance in hell of that."

Yet there may be alternatives. Factset, a software company based in Connecticut, has its own network that blends historical data from different suppliers. Telecommunications groups such as Bell Atlantic want to do the same for real-time data. The danger for the information companies is that they could lose control of branding and distribution.

Mr Flaschen of TFS, a division of the Canadian newspaper company that owns financial information businesses including ILX Systems, the US equities database, says it has focused on owning data rather than distribution networks. "The difficulties of finding distribution are decreasing. It is not a sustainable competitive advantage," he says.

There are similar challenges in the emerging corporate and retail markets, where Reuters and Bridge have started to offer lower-priced selections of data rather than insisting that all customers pay premium prices. Reuters has just launched Reuters Plus, a terminal offering basic data to retail brokerages for up to $300 a month.

Mr Bloomberg has so far resisted this approch. He prefers to hold his standard price for a terminal while packing more information into it. "He is going with a high-priced product and a pretty rigid stance, and I wouldn't think he will sell many going forward," says Mr Wendel of Bridge.

Mr Bloomberg admits he is "trying to raise the bar by convincing customers they need more sophisticated things". The Reuters and Bridge approach does carry risks. Instead of gaining customers from Bloomberg, or attracting people who have not subscribed to any financial network, they could find their existing customers trading down.

Mr Bloomberg believes the mid-market of brokers and corporate executives is unattractive because cheaper services are being undercut by free distribution of basic data. "The guys in trouble are the ones that supply $100 or $200 terminals because the difference between that and what you get free on Yahoo.com is very small," he says.

On the face of it, the retail market is least attractive of all, given the plethora of 20-minute delayed stock information and even charting tools now distributed free via the internet. Yet despite the difficulties of making any money at all, each of the three companies is seeking to distribute data – to the point of paying intermediaries.

Mr Wendel of Bridge says that the broad distribution of its data via the internet and other networks can more than triple the number of its customers from the 300,000 terminals it will have following the ADP deal. "It does not take a big leap of religious faith to think we can have 1m customers by early next century."

Quite how much revenue these new customers will bring is an open question. If the big three succeed in spreading their brand names and services across all financial markets, they may establish as firm a foundation from which to build profits as they held in the past when only financial traders used them.

Yet competition is already proving tougher and more volatile than in the past, as initiatives such as Money and Bonds demonstrate. Mr Foy readily concedes that his web site will never compete on the trading floor. But, he says, it has its place. "The balance of power has changed from the days when the content aggregators ruled the world."

Main competitors

Reuters
British publicly quoted company capitalised at £8.9bn, founded in 1850 by Paul Julius Reuter to carry stock market prices between Brussels and Aachen by pigeon. Grew in the 1980s by providing foreign exchange prices. Remains the largest competitor in equities and foreign exchange, and is trying to expand in US bonds

Bloomberg
Private US company founded and 80 per cent owned by Michael Bloomberg, a former equities trader and technology specialist at Salomon Brothers, the investment bank. Distributed proprietary information via its own network, specialising at first in bond market information, including pricing models and historical data

Bridge/Telerate
Private US company founded in 1974 by investment managers, bought in 1995 by the investment fund Welsh, Carson, Anderson and Stowe. Originally specialised in US energy and commodities pricing. Expanded by buying Knight-Ridder Financial for $275m in 1996, and Telerate from Dow Jones for $510m last March

OBSERVER

Foreign referee

Would-be foreign ministers don't usually have to obtain references from their counterparts abroad, but the UK has been dragged into the row over Jan Kavan, the Czech Social Democrats' controversial nominee. The Foreign Office has let it be known that he is not persona non grata in Britain, as some opponents have claimed, but a "frequent and welcome visitor".

Kavan ran a dissident network from London in the 1970s and 1980s, making many friends in the British Labour party, some of whom are now ministers. Czech rightwingers hate leftwing dissidents – they like to equate all leftwingers with the old regime – and have used bits of old secret service files to smear him.

Kavan had to go to court to clear his name of a charge of co-operating with the Czech secret police while in London. He then obtained a letter from foreign secretary Robin Cook nailing the canard that he had been convicted of perjury in a British court.

Even President Vaclav Havel, the country's most famous dissident, indicated last week that Kavan might be too controversial to be foreign minister, though the Foreign Office's comments – reported in the local media – have helped lay those doubts to rest.

Kaven's enemies seem to have failed to stop him getting the job: the question now is whether they will create enough diversions to distract him from getting on with it.

Hung up

Get a gunboat ready. Gibraltar, that plucky little chunk of rock ruled by Britain but perched on the southern tip of Spain, is causing more problems in the diplomatic salons of Madrid and London.

Things seemed to have taken a turn for the better recently, but now there's a beauty of a bust-up brewing over telephone lines – and it seems to be going all the way to Strasbourg. Apparently the 30,000 telephones ringing around the rock are routed via a Cadiz sub-station and the authorities want an extra 2,000 lines.

A request was duly submitted but the Spanish – in a classic case of "don't phone us, we'll phone you" – have refused to cough up the extra capacity and the issue is now on its way to the European Court. Let's hope it can get through when it rings with the result.

Family ties

It was a frustrating weekend for the Central Asian republics Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. They were all ready to sign a joint declaration on regional security when they found themselves one head of state short of a summit.

Uzbek president Islam Karimov decided at the last minute that the journey to the summit – in the Kyrgyz resort of Cholpon Ata – was too much for his high blood pressure. "He's only human," said Kazakh President Nursultan Nazarbayev – which is more than some heads of state are prepared to say about their colleagues.

But if Cholpon Ata did witness one alliance, it did see another: the wedding of Aidar, son of Kyrgyz President Askar Akayev, and Nazarbayev's daughter Aliya.

Tying a dynastic marriage into a meeting of rulers may seem quaintly old-fashioned in an era of globalisation, the internet, spin doctors and the Spice Girls. But there never was much harm in keeping on the right side of the neighbours.

Fuel effect

Pakistani premier Nawaz Sharif's cash-strapped government is trying to ease the pain of the weekend's huge petrol price rise by claiming that it's a tax on the rich.

The official line is that by freezing the price of kerosene, used by the poor in their stoves, and of diesel to keep trucks and farmers' tractors running, the extra $200m tax will be coming from the pockets of wealthy petrol users.

That might have worked a decade ago, but rich Pakistanis have taken to four-wheel-drives in recent years. It's the height of fashion to be seen in a Toyota Landcruiser or Mitsubishi Pajero, swanning past the Suzuki light trucks which are the mainstay of transport for the poor.

Observer invites readers to guess which vehicles run on diesel and which on petrol.

Coconut shy

What next for Eduardo Cojuangco, the former business crony of the late strongman Ferdinand Marcos? Fresh from his recent coup at brewing outfit San Miguel, to which he returned as chairman and chief executive this month, Cojuangco – nicknamed Pacman for his insatiable gobbling up of companies in the 1970s and 1980s – has his eyes on United Coconut Planters Bank, which he also used to run in the good old days.

Last week, the entire board obligingly resigned in preparation for his return. Perhaps they were setting an example to bosses of another 250 or so sequestered companies that most observers expect him to get his hands back on now that his old friend Joseph Estrada has moved into the presidential palace.

In a telling sign of who really is running the show, local media recently got hold of a tape of a discussion between the two men, in which Cojuangco tells Estrada: "Don't call me boss in public."

Estrada, you see, is nothing if not loyal to friends. Which is why the government plans to settle the tax evasion suit against Lucio Tan, the Chinese-Filipino tycoon who was another big donor to Estrada's campaign kitty. Who said crony capitalism is going out of fashion in Asia?

The Financial Times 100 years ago

Trouble in China
Shanghai, 16th July. The disturbances between the French sailors from the warship Eclaireur, the French volunteers and the Chinese have resulted in the deaths of between 25 and 30 of the last. Yesterday 200 men were landed from the "Marcopolo" to co-operate with the French in keeping order, and the night passed without disorder. The Chinese, however, have deserted the French settlement, in which some miles of houses are now standing empty. By order of the Nang-Po Guild, the natives are arranging a general boycott of all foreigners. Business is suspended.

Life in Dawson City
Dawson City, via Victoria, B.C., 23rd June. During the last three weeks newcomers have been arriving here at the rate of nearly 1,000 per day. The lake rivers on the way are crowded with boats heavily laden with supplies and manned by people who seem as careless and lighthearted as holiday-makers. At many points where the navigation is easy, the throng of boats presents all the appearance of a regatta, but at the dangerous spots the wrecks and accidents, which are of hourly occurrence, produce a more serious mood.

FINANCIAL TIMES
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THE LEX COLUMN

Divvying up defence

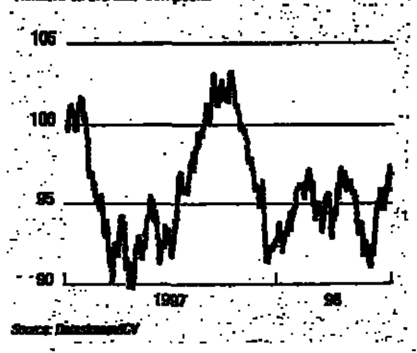
The highly-politicised restructuring of the European defence industry would challenge even the most agile corporate financier. But signs that the Spanish government is considering selling 25 per cent of Casa, the military and civilian defence group, to one of its Airbus partners are encouraging. With similar positive noises about the need for a private defence sector in France and Italy, commitment to eliminating incompatible private and public ownership structures can no longer be doubted. Once Europe's defence companies are all in private hands, creating the desired European Aerospace and Defence Company (EADC) will become significantly easier.

With the French state-owned Aerospatiale rightly ruled out as a home for the Casa stake, British Aerospace and Daimler-Benz's Dasa are the remaining buyers. For British Aerospace, increasing its weight in the Airbus consortium would be one reason to buy the stake. But gaining majority control of Eurofighter – by adding Casa's 13 per cent workshare to its own 37.5 per cent – would be the bigger prize.

BAe, having purchased a stake in rival manufacturer Saab, would be well-placed to drive a good deal for its shareholders in any eventual shake-out to create the EADC.

However, since Daimler remains commited to Dasa, the Germans will be unlikely to walk away from the deal. The Spanish government may soon have an auction on its hands.

Nasdaq Composite
Relative to the S&P Composite



Source: Datastream/ICV

US technology

Technology stocks are red hot again. This year's 28 per cent gain in the Nasdaq Composite index, which shot through 2,000 last week, puts even the surging S&P 500 to shame.

There appear to be three elements to this rally. First, the hope that tech stocks, having been hit early by Asia's shockwaves, will also be quickest to recover. Witness the recent sharp rallies in both Intel and Oracle after they signalled that the worst might be over. Second, anything remotely connected to the internet has boomed this year. Yahoo!, which runs an internet site, is now worth nearly $9bn. But while the internet phenomenon has caught the eye, most of Nasdaq's gains have actually come from investors' relentless pursuit of the big blue chips. Dell Computer has more than doubled during 1998 and Microsoft is up over 80 per cent.

This has pushed valuations to fresh extremes. Microsoft is now trading on a 1999 price earnings ratio of more than 50 times at a period when a dearth of important product launches has slowed earnings growth to around 20 per cent. Meanwhile, Yahoo! is trading at almost 40 times forecast 1999 revenues. There are undoubtedly fortunes to be made from the irresistible rise of the net and the increasing pace of technological change generally. But to justify these sorts of ratings, today's companies will all have to be on the winning side – and hugely so. That seems most unlikely.

UK casinos

First the wound, then the bandage. After a vigorous pummelling from the UK Treasury – which whacked up the top rate of gaming duty from 33⅓ per cent to 40 per cent in the March Budget – the Home Office last week offered the soothing balm of deregulation. Not before time, perhaps. The National Lottery, looser advertising restrictions on bingo and more appealing betting shop-fronts made a mockery of the 1968 Gaming Act's aim to curb public appetite for gambling. Casino stocks, such as London Clubs and Capital Corporation, lagged behind the market on doubts over whether the Labour government wanted to level the playing field for a sector seen paradoxically as both elitist and exploitative. Last week's proposals will affect different stocks in different ways. For provincial casino operators, such as Stakis, the benefits from allowing limited advertising and group membership look small. The main beneficiaries are the big London casino operators. Postal applications will get round current curbs on impulse gambling.This could spawn a gambling-oriented product within the fast-growing weekend break market. And an increase in the number of permitted jackpot machines with £1,000 prizes should attract people put off by more serious gambling.

But investors should be aware that deregulation has a flip-side. As the recent addition of two new London casino licences to the existing 21 shows, barriers to entry will come down too. Competition for punters will only increase.

BG

What should gas traders be paying to store their gas? We are about to find out. British Gas's monopoly in UK gas storage is hardly the stuff of a gripping business epic. But it is enough to goad Clare Spottiswoode, gas regulator, into the ring. She would like to usher competition into areas, like storage, which she deems are not "natural" monopolies.

Under the regulator's proposals, BG would auction off rights to about 45 per cent of its total storage capacity, but would retain ownership of the facilities. *The question is what impact this will* have on storage prices, and ultimately on the value of the underlying assets. An auction, compared with the current fixed-price system, could well lead to lower prices.

If storage prices do fall, the market value of BG's assets is likely to be less than their regulated value. But given that this is around £750m, compared with the £11.5bn of BG's other regulated assets, the scope for mass shareholder value destruction is limited. Indeed, BG's relaxed response suggests it expects its final sparring session with Ms Spottiswoode before her departure to be a fairly relaxed affair.

Her proposals may even be quite useful to BG, if they are a prelude to a break-up and sale of the storage facilities. This would free up capital for BG to reinvest in its more promising E&P business.

PRESIDENT ATTEMPTS TO SALVAGE ANTI-CRISIS PACKAGE AND ATTRACT MORE IMF AID

Yeltsin overrides Duma to veto tax-cutting laws

By John Thornhill in Moscow

President Boris Yeltsin has overridden Russia's fractious parliament by adopting extra tax-raising measures by decree.

In an attempt to salvage the government's anti-crisis programme and attract additional financial support from the International Monetary Fund, Mr Yeltsin stepped in at the weekend before leaving for a holiday to veto two tax-cutting laws which were last week adopted by the Duma, the lower house of parliament. In an extraordinary session, the Duma had supported several government initiatives to reduce corporate tax rates but refused to endorse measures to shift more of the tax burden from the corporate to the personal sector.

Alexander Livshits, Mr Yeltsin's economic adviser, said the president's decisions would help raise Rbs48bn ($7.7bn) of revenue, although that fell short of the Rbs78bn needed to plug the budgetary hole. The Duma is still blocking several tax-raising initiatives.

Mr Livshits said the president would soon announce further measures to raise tax revenues and ease the government's liquidity problems. "No one, neither the president nor the government, is planning to stand by and watch the budget and pension fund collapse into ruins," he said. "The more so as the international community has met us half way for what I think will be the last time."

Anatoly Chubais, Russia's chief negotiator, will today urge the IMF's board in Washington to release half of a $11.2bn support loan, which was agreed in principle last week. The IMF had said it would make speedy disbursement of the loan, intended to bolster the central bank's reserves and protect the rouble, at least partly dependent on the enactment of new tax-raising legislation.

On Saturday, Sergei Kiriyenko, prime minister, announced that a 3 per cent duty would be imposed on all imports to raise additional revenue, help protect domestic producers and keep Russia's balance of trade in check. But he said parliament's continued obstruction of several important tax reforms had undermined much of the purpose of the government's anti-crisis package. "Unfortunately this means many measures aimed at easing the burden on industry will have to be postponed," he said.

Boris Nemtsov, deputy prime minister, said the government would pursue a policy of "healthy protectionism" to defend domestic manufacturers, who had been hit hard by Russia's economic slump and foreign competition. But he rejected the "vulgar Bolshevik principle" that an iron curtain ought to separate Russia from world markets.

The government will also announce today how many investors have chosen to exchange their rouble-denominated treasury bills into US dollar-denominated eurobonds as part of a voluntary debt conversion scheme masterminded by Goldman Sachs, the US investment bank. Many foreign investors seem likely to reject the conversion now that the threat of a rouble devaluation has receded. But the government could easily meet its minimum target if Sberbank, the state savings bank, chooses to take part.

Futures exchanges may face tough tests to set up in US

By Nikki Tait in Chicago

International electronic futures exchanges that want to establish networks of computer screens in the US could be forced to undergo rigorous tests, according to a proposal from the Commodity Futures Trading Commission, the US regulater.

The CFTC says its suggestions for new rules to govern the approval of electronic screens in the US could be followed by regulations this year or early in 1999.

The shift in the futures industry from traditional pit-based trading methods to the use of computer screens has led to a big jump in inquiries from foreign exchanges wanting to set up terminals in the US. The CFTC says it needs to devise more uniform rules for approving them.

The Deutsche Terminbörse, the all-electronic German exchange, is the only operator to have received approval to site its computers in the US.

The CFTC says it could base its decision on whether to allow foreign electronic exchanges to set up in the US on six regulatory tests.

These tests could include the financial standing of the exchange, its monitoring procedures and the technology of the computer system. The regulator would judge whether there were reciprocal arrangements in place for US exchanges to operate computer terminals in the home country of the applicant exchange.

The CFTC made its initial suggestions in a "concept release" – essentially a request for comment but which, in this case, gives a fairly clear idea of the CFTC's thinking.

One controversial issue is whether exchanges should be allowed to make terminals available to customers directly, so that they could input their own orders, or whether orders should still have to be routed through an intermediary member of the exchange in question.

In the concept release, the CFTC asks what safeguards might be required to prevent "improper access" to a foreign board of trade's computer terminals in the US.

The CFTC is considering how much US-derived business an overseas exchange should be allowed to have without effectively ceasing to be an overseas exchange and, thus, being obliged to register as a US "contract market" – which would place a much heavier regulatory burden upon it.

The issue of whether to allow foreign exchanges to set up terminals is taxing regulators in numerous countries. Solutions have varied. The UK, for example, requires the foreign exchange to qualify as a "recognised overseas investment exchange" under the Financial Services Act. In France and Japan, approval is left to ministries of finance.

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Children injured when a tidal wave swept a remote area of Papua New Guinea are helped from a rescue helicopter. With nearly 600 fatalities confirmed, hundreds more are now feared dead. Page 2 Reuters

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FT WEATHER GUIDE

Europe today
North-east Europe, including northern and eastern Scandinavia, will have heavy showers and thunder, but Denmark, southern Norway and southern Sweden should be fine and warm. Central and north-west Europe will be hot, humid and sunny, although an Atlantic cold front will bring heavy showers and thunderstorms across north-west France and the British Isles. The Mediterranean will be very hot, but northern parts of the Iberian Peninsular will be cooler and cloudy with a chance of showers.

Five-day forecast
A cold front will move across central and northern Europe over the next few days, bringing cooler, drier air, but it will remain mostly sunny. The Mediterranean and much of eastern Europe will stay hot and sunny.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun	42
Accra	Shower	27
Algiers	Sun	35
Amsterdam	Fair	25
Athens	Sun	35
Atlanta	Fair	37
B. Aires	Fair	15
B.ham	Shower	24
Bangkok	Thunder	34
Barcelona	Sun	30
Beijing	Fair	35
Belfast	Shower	20
Belgrade	Sun	34
Berlin	Fair	31
Bermuda	Fair	31
Bogota	Thunder	18
Bombay	Shower	30
Brussels	Sun	32
Budapest	Sun	32
C.hagen	Fair	22
Cairo	Sun	35
Caracas	Thunder	29
Cardiff	Fair	26
Casablanca	Fair	25
Chicago	Shower	34
Cologne	Thunder	28
Dakar	Fair	30
Dallas	Sun	35
Delhi	Thunder	32
Dubai	Sun	44
Dublin	Fair	21
Dubrovnik	Sun	33
Edinburgh	Shower	21
Faro	Sun	32
Frankfurt	Sun	32
Geneva	Sun	31
Gibraltar	Fair	28
Glasgow	Shower	19
Hamburg	Fair	29
Helsinki	Shower	16
Hong Kong	Sun	32
Honolulu	Fair	31
Istanbul	Sun	30
Jakarta	Thunder	32
Jersey	Shower	24
Johannesburg	Shower	14
Karachi	Cloudy	35
Kuwait	Sun	47
L. Angeles	Sun	25
Las Palmas	Sun	26
Lima	Cloudy	19
Lisbon	Fair	26
London	Shower	27
Lux.bourg	Sun	30
Lyon	Sun	34
Madeira	Sun	26
Madrid	Sun	36
Majorca	Sun	34
Malta	Sun	35
Manchester	Thunder	24
Manila	Thunder	31
Melbourne	Fair	15
Mexico City	Thunder	22
Miami	Thunder	32
Milan	Sun	30
Montreal	Shower	28
Moscow	Shower	21
Munich	Sun	32
Nairobi	Cloudy	23
Naples	Sun	33
Nassau	Thunder	31
New York	Shower	34
Nice	Sun	31
Nicosia	Sun	38
Oslo	Fair	26
Paris	Sun	32
Perth	Fair	18
Prague	Fair	29
Rangoon	Rain	29
Reykjavik	Fair	12
Rio	Sun	28
Rome	Sun	32
S. Frsco	Sun	26
Seoul	Shower	27
Singapore	Fair	32
Stockholm	Fair	24
Strasbourg	Sun	33
Sydney	Thunder	18
Tangier	Sun	28
Tel Aviv	Sun	33
Tokyo	Rain	26
Toronto	Fair	32
Vancouver	Fair	24
Venice	Sun	30
Vienna	Sun	31
Warsaw	Fair	25
Washington	Fair	36
Wellington	Fair	12
Winnipeg	Thunder	22
Zurich	Sun	30

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FINANCIAL TIMES
COMPANIES & MARKETS
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MONDAY JULY 20 1998
Week 30

INSIDE

Fresco puts Fiat on the global road

Last week Italian Paulo Fresco (left), made clear that his 37 years in the US would weigh heavily in his new role as chairman of Fiat, Italy's biggest manufacturing company. Though the former deputy chairman of General Electric has only spent a few weeks at Fiat, he has wasted no time in casting the global imprint he plans for this most Italian of companies. **Market Movers, Page 17**

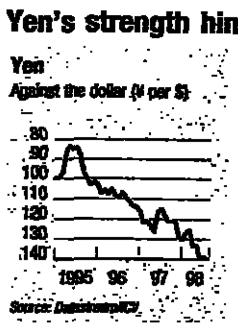
Latin America spared the worst

Brazil's bankers, perhaps *still smarting after* the loss of the World Cup, can take heart from one thing. Latin American bonds seem to have been spared the worst of the latest round of emerging market turmoil. **International Bonds, Page 20**

Linde benefits from wide spread

Though the disparate array of businesses owned by Linde, the German industrial group, defies the trend towards more "focused" companies, Gerhard Full, Linde's chairman, believes the spread gives it some unexpected benefits. **Page 18**

Yen's strength hinges on election



Though both main candidates in Friday's election for president of Japan's ruling Liberal Democratic party have made promises of change if elected – whoever wins is likely to be confirmed as the country's new prime minister by the Diet this month – until there is more definite news, the currency may struggle to move far from Y140 to the US dollar. **Currencies, Page 24**

West goes on Asian buying spree

Western companies have stepped up their acquisitions in six Asian countries most affected by the region's economic crisis. Non-Asian buyers spent $6.52bn in the second quarter of 1998 on deals in the six, according to IFR Securities Data, which monitors global takeovers. **Page 20**

Gains made from market declines

Emerging markets have dipped 23 per cent on the IFC index in the past two months, the second-largest two-month fall in the index's history. Retrenchment for some, however, has meant chances for others. **Emerging Markets, Page 18**

Televisa set for telecoms buy

Televisa, the Mexican media conglomerate, intends to invest in a telecommunications venture owned by one of its controlling shareholders in a move likely to upset minority investors. **Page 20**

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Creation halts internet plans

Record label drops web exports move after Sony pressure

By Alice Rawsthorn in London

Creation Records, one of the UK's largest independent record labels, has abandoned plans to export from its internet record store following pressure from Sony, the Japanese group.

Sony paid Creation £14m in 1996 to extend for five years an agreement whereby it owns 49 per cent of the UK company's equity and the international distribution rights for its acts, including Oasis, one of the best-selling rock groups of the 1990s.

This month, Creation unveiled proposals to start selling all its recordings from its internet site. Sony claimed Creation would be breaching the agreement if it supplied people outside the UK from the internet store, due to be launched this summer.

Creation is chaired by Alan McGee, who recently outraged music industry traditionalists by asserting that many bands will in future release their music over the internet rather than through the record companies.

Creation's decision not to export from its site sets an important precedent for the global music industry. The internet is expected to become an increasingly popular distribution vehicle for music. Jupiter Communications, the New York-based research consultancy, expects US internet record sales alone to amount to $1.4bn in 2002.

Several multinationals, including Sony, Bertelsmann and PolyGram, are experimenting with internet sales. They will be anxious to protect their fledgling online operations and to prevent the potential loss of traditional retail sales to independent labels as the internet music market expands.

Initially, internet distribution was dominated by net specialists and online subsidiaries of established record stores. However, a growing number of record companies have recently announced proposals to set up online mail order sales operations.

Independent labels have, so far, been in the vanguard of internet retailing. Nude, the London-based record company that includes Suede and Ultrasound among its artists, plans to start selling music by mail order from its internet site next month.

Many of the independents are linked to multinational music groups – as Creation is to Sony – through equity participation and international distribution deals. Sony has similar accords with Skint and Loaded, the UK dance labels, as well as with Nude.

These deals have given Sony the international distribution rights to several successful acts. By far the most profitable is Oasis, which has sold more than 23m albums worldwide since its 1994 debut.

Sony is expected to extend internet export restrictions to Nude and the other labels with which it is linked.

No champagne superhighway: Oasis frontmen Liam and Noel Gallagher

German energy groups end joint venture

By Peter Norman in Bonn

German energy companies Veba Oel, RWE-DEA and Wintershall yesterday agreed to restructure their oil and gas exploration and production activities by breaking up their Deminex joint venture and absorbing its component parts.

The three companies said the move, backdated to January 1, would cut overlap, strengthen their capacity to make quick decisions in a tougher competitive environment and allow them to co-ordinate exploration and production activities with downstream interests.

The statement triggered speculation that a further unravelling of joint ventures could be in prospect in the German oil industry.

Veba, in particular, is known to want greater control over the Aral motor fuel group in which it has a majority stake. The other big Aral shareholders are Wintershall and a subsidiary of Mobil Oil.

Veba Oel, which has held 63 per cent of Deminex, will absorb its subsidiaries and employees in Britain, Indonesia, Syria, Canada, Colombia and Trinidad. RWE-DEA, with 18.5 per cent of Deminex, will take control of activities in Norway and Egypt with Veba Oel holding a minority stake.

Wintershall, also with 18.5 per cent of Deminex, will take its operations in Argentina, Russia and Azerbaijan. In addition, RWE-DEA will transfer its Netherlands interests to Veba Oel.

The three companies said they would continue all Deminex's foreign projects in line with investment plans.

Deminex's headquarters in Essen will be taken over by Veba Oel and merged with its exploration and production activities in Veba Oil & Gas, a new subsidiary. The break-up of Deminex will involve about 50 job losses.

Deminex was set up in 1969 with federal government support to give Germany a presence in oil exploration and production and reduce its dependence on foreign multinationals. It produced 8.25m tonnes of crude oil and 2.7bn cu m of gas last year and reported turnover of DM2.53bn ($1.39bn).

Turkish group in junk bond issue

By Jeremy Grant

Turkcell, Turkey's biggest mobile telephone operator, has become the country's first corporate group to tap the fast-growing European junk bond market with a seven-year, $300m issue.

The deal is further evidence of strong growth in investor appetite for high-yielding paper. About $3bn of high-yielding, or junk, bonds have been issued by European companies in the past 15 months.

The Turkcell bond, sole lead managed by US investment bank BT Alex Brown, offers a yield of 9.5 percentage points over the benchmark US Treasury bond and is well below investment grade with a rating of CCC+ from rating agency Standard & Poor's.

By comparison, Turkey's sovereign eurobond issue was last week offering a yield of around 5.5 percentage points over the US benchmark. Sub-investment grades are any level below BBB- for Standard & Poor's and Baa3 for Moody's Investors Service.

A syndicate official said the Turkcell offer had been oversubscribed by 50 per cent. US investors bought 70 per cent of the paper and the rest went to buyers in Europe. "In the general context of what has been a very choppy environment, especially in emerging markets, we are pleased with the reception the company had," the official said.

Emerging market bond prices, which offer comparable risk to junk bonds but are issued by sovereign countries, have been volatile recently.

High yield investors are drawn to sectors in the junk bond market such as telecommunications, where capital is needed quickly but where company gearing is high.

Turkcell, the largest of three Turkish mobile telephone companies, will use some of the funds to buy a licence to operate independently of state fixed-line provider Turk Telecom, with which it has shared operating revenue.

The official said this would help the company generate an annual cash flow of about $300m in a market with significant growth potential.

Only about 2.8 per cent of Turkey's 63m population uses mobile phone services and Turkcell accounts for 1.4m of a total nationwide 1.9m subscribers.

FINANCIER CALLS FOR DISPOSAL OF VITAMIN AND FLAVOUR BUSINESSES

Roche shares rise as Ebner urges asset sales

By William Hall in Zurich

The sharp rise in Roche shares came after Martin Ebner, the Swiss financier who is the pharmaceuticals group's second-largest shareholder, recommended it sell its vitamins, fragrances and flavours businesses.

Mr Ebner, whose investment funds own 12.9 per cent of Roche's voting shares, has until now been one of Roche's most loyal long-term investors.

Roche shares, which rose 2.4 per cent on Friday, account for SFr6.1bn ($4bn) of the SFr20.2bn invested in his four publicly quoted investment funds. But the substantial underperformance of shares over the past 2½ years has dragged down the performance of Pharma Vision 2000, Mr Ebner's biggest fund.

His latest comments, made at the half-yearly press conference of his investment funds, suggest he is now going to offer to Roche the same sort of unsolicited advice that helped precipitate the managements of Winterthur, Switzerland's third-biggest insurer, and Union Bank of Switzerland, the country's biggest bank, where he was the biggest investor, to surrender their independence.

Roche has been hit by a series of setbacks on drug launches, which have led analysts to downgrade their profit forecasts.

Mr Ebner said Roche had raised too many expectations for new drugs that had run into trouble, and there had been management mistakes in the approach to the US Food and Drug Administration approval process for Xenical, a weight-loss drug.

Roche was going through a "very difficult phase" and the recent shocks had been "helpful" because they would increase the pressure on management to enhance shareholder value and focus on pharmaceuticals and diagnostics, the group's two biggest core businesses.

Mr Ebner indicated that Roche shareholders would be best served by the sale of the group's fragrance and flavours business and the spin-off of the vitamins business.

Roche is the world leader in vitamins, traditionally one of its highest margin businesses. However, prices are under pressure and in the first six months of 1998 sales fell by 1 per cent to SFr1.9bn.

Roche is the world's biggest flavour-making company after last year's $1bn acquisition of Tastemaker, and one of the top fragrance companies. But the business, which had first half sales of SFr1.1bn is far less profitable than its main competitor, International Fragrances and Flavours.

Roche refused to comment on Mr Ebner's suggestions and said the two divisions remained core businesses. Roche also disclosed yesterday that results of a recent study reported in the Lancet, the UK medical journal, showed that Xenical not only led to weight loss but also reduced cholesterol and cardiovascular risks.

Roche's non-voting certificates, its most widely traded equity securities, rose SFr360 to SFr15,175 on Friday.

RICHARD WATERS
GLOBAL INVESTOR

Will the bug bite?

When does the next millennium really start? At midnight on December 31 1999, or a year later?

Purists would point to the end of 2000, regardless of when the parties are actually thrown. But for many companies, the first encounter with the millennium will come much earlier, at the end of 1998 or soon after. And that means that the global computer glitch known as the millennium bomb or the Y2K problem – until now mainly a cause for breast-beating by the Cassandras – will become a matter of far more general investor concern in the final months of this year.

The technological problem forecast to occur when the old century ends is, in reality, a rolling phenomenon. Any computer that has been asked to process information related to a date after 2000, such as those dealing with credit card transactions, has already encountered the problem. Thanks to the familiar annual budgeting process, this will become more widespread from the beginning of 1999.

Rival views on the world's readiness are hardening as zero hour approaches.

In one camp are the pessimists, whose predictions range from mild recession to widespread social and economic dislocation.

Ed Yardeni, the Deutsche Securities economist who has been among the most voluble, has just increased his estimate of the risk of a Y2K-induced recession to 70 per cent. He believes the lack of global leadership from the US on this issue means the matter is still not taken seriously enough.

Paradoxically, it is the impact of the Yardenis that makes the optimists more sanguine. IT departments would have to have had their heads in the sand to ignore all the warnings, according to Michael Kwatinetz, a US technology analyst. He estimates that US companies are more than half-way through the job of putting things right.

The likes of Mr Kwatinetz also question the extent of the potential disruption. If computers were going to crash, they argue, many of those that work with information well into the future would already have done so. And the so-called embedded chips, which govern everything from elevators to automobile production lines, may simply not care which century it is: they will just go on working anyway.

The underlying investment theme is uncertainty. For a start, there is precious little good information.

Despite prodding from the Securities and Exchange Commission, many US companies have offered only cursory commentaries on their preparations. The SEC is said to want more but, other than explaining the likely cost of trying to fix the problem, it is difficult to see what companies can say that will make it any easier for an outsider to assess the risks with any precision.

Trying to draw general conclusions about the impact is also fraught with difficulty. Any number of investment reports have been launched on the strength of predictions about where the 2000 impact will fall heaviest, but all are stabs in the dark.

Big companies, for instance, may have devoted more resources to the issue and may have the clout to cut off suppliers or others that they view as unreliable. But those with global operations are more exposed to emerging markets, where the level of preparation is generally thought to be lower.

Similarly, banks have probably spent the most in putting their houses in order and are the subject of close scrutiny. But they will still be exposed to risk because they cannot isolate themselves from inter-bank payment systems and credit markets, or from a general loss of confidence among depositors.

At a broader level, the uncertainty could prove corrosive.

Companies may feel they have put their own houses in order but can they really be sure that others have done the same? With the federal government already admitting to serious problems, who really knows if air transport will be disrupted, or tax returns will be processed on time? Will the machinery of international trade grind to a halt?

These are the sort of conditions that make companies more cautious about investing and consumers less willing to spend, a process that turns perception into reality.

The US has been through a similar period within the past decade: the months after the invasion of Kuwait, when the level of uncertainty was enough to tip a US economic slowdown into a recession, albeit a mild one.

What a repeat of that experience would do to share prices at their current levels is not a pleasant thought.

COMPUTER SERVICES US-BASED GROUP CEMENTS POSITION AS LARGEST PROVIDER IN BRITAIN

EDS wins IT deal with BA unit

By Paul Taylor

EDS, the US-based computer services group, has won a 10-year contract to supply information technology services to British Airways Engineering, as part of the latter's drive to improve efficiency and business performance.

Although the value of the contract was not disclosed, it is believed to be worth more than £100m. It is the latest in a string of big public and private sector outsourcing wins for EDS, which has now established itself as the largest computer services group in Britain.

EDS will help BA Engineering, which employs more than 9,000 and provides maintenance services to BA and other airlines around the world, update its IT systems and implement an enterprise-wide IT infrastructure. EDS will also provide support for BA Engineering's existing applications and desktop systems, focusing initially on ensuring year 2000 compliance.

"Both organisations see the tremendous benefits and opportunities from working together to implement IT services and systems that set new standards in the airline engineering market," said Colin Matthews, BA Engineering's managing director.

Aside from a number of high profile public sector IT outsourcing contracts, including the Inland Revenue, EDS has won a string of other private sector deals. These include contracts with Royal Bank of Scotland, British Airways Finance, Kellogg's, Airtours, a £300m deal with Digital Equipment, Pilkington and British Petroleum.

The US group has also been building up a particular expertise in the UK-based engineering, defence and aerospace sector having signed a 10-year strategic partnership agreement with Rolls-Royce Aerospace group worth more than £600m 18 months ago. The flagship Rolls-Royce contract is seen by many in the IT services sector as a model contract.

Colin Green, Rolls-Royce managing director, said that EDS was chosen as a partner "to help accelerate our business transformation process". Under the agreement, EDS has assumed full responsibility for the aerospace group's IT infrastructure, network, systems and application. About 750 Rolls-Royce staff transferred to EDS's global aerospace group as a result.

Hermes Lens appoints directors

By Jane Martinson, Investment Correspondent

Hermes Lens Asset Management, the partnership between the UK institutional investor and US shareholder group, has appointed a chairman and non-executive director in the run-up to the launch of its new activist fund.

Mark Hoffman, the chairman of Cambridge Research Group, the private investment company, is to assume a similar responsibility at the new fund management company.

Mr Hoffman is an American who has worked for both UK and US venture capital businesses.

He is also currently chairman of Guinness Flight Venture Capital Trust.

Andrew Longhurst, a former director a Lloyds TSB, the banking group, and Cheltenham & Gloucester, the building society, is to become a non-executive director of the new company.

Peter Butler, chief executive of Hermes Lens, said that both individuals brought experience and City contacts to the board.

The company is due to launch its Focus fund at the beginning of October.

This fund, which has the backing of the British Telecommunications pension fund behind Hermes, intends to target underperforming companies.

It hopes to bring about improvements in performance with the help of larger fund managers in the City.

With the BT pension fund pledging up to £100m, Hermes Lens anticipates being able to launch with an initial £150m.

Mr Butler said that interest up to the present time had been keen.

Ocean in drive to enter global logistics arena

By Jonathan Ford

Ocean Group, the international freight company, is to merge its freight forwarding and road haulage interests as part of its strategy to join the ranks of emerging global logistics businesses.

Ocean's freight forwarding division, MSAS, which moves cargo across international borders, is to be put together with the group's smaller road distribution companies, Intexo and McGregor Cory. The merged entity will operate under the name MSAS Global Logistics and have sales of about £1.1bn.

John Allan, chief executive, said the group had decided on the merger because the traditional distinction between freight forwarding and distribution was eroding.

"Multinational customers increasingly want to deal with a single organisation with good geographical coverage handling the entire supply chain," he said.

US logistics businesses such as Ryder and Penske, the latter backed by GE Capital, have moved into the European market in recent years, seeking to offer a global distribution service to multinational companies.

Mr Allan said the US entrants were still building up their European networks, so had yet to make significant inroads into the business handled by their indigenous competitors. But he said it was important Ocean met the long term competitive threat head on.

MSAS, with sales of about £900m last year, is one of the world's largest freight forwarding companies.

Intexo and McGregor Cory, which have sales of approximately £200m, enjoy strong positions in the healthcare and packaged consumer goods markets. Their networks cover the UK and Europe. Ocean is also building a distribution presence in Asia.

Mr Allan said the biggest hole in the group's distribution coverage was in the US. Ocean is understood to be seeking to rectify this.

Reuters set to shake-up 'fiefdoms'

By David Blackwell

Reuters, the financial information group, is planning a radical change in the way it operates next year in order to benefit from the globalisation of its markets.

An internal memo to all staff from Peter Job, chief executive, reveals plans to dismantle its geographic divisions. Instead, Mr Job is understood to want to divide the business by product line and to introduce global account management.

The group, which is due to report its interim results on Wednesday, yesterday refused to comment on the plans, describing the memo as private and confidential.

Analysts are expecting interim profits to fall from £333m to about £295m. The group has been hit by the Asian economic crisis, while sales of its 3000 series are behind budget and margins on its Instinet trading system have been depressed by competition in the US.

Mr Job's memo criticised the North America, Asia and Europe, Africa and Middle East divisions, accusing them of being self-contained fiefdoms. The group was getting the products, but needed more performance at a time of significant challenges, it said.

The shares were knocked back earlier this year after it emerged the group was being investigated by a US grand jury over allegations that it had taken proprietary information from Bloomberg. They closed on Friday up 3½p at 623¾p, well below the 12-month high of 770p.

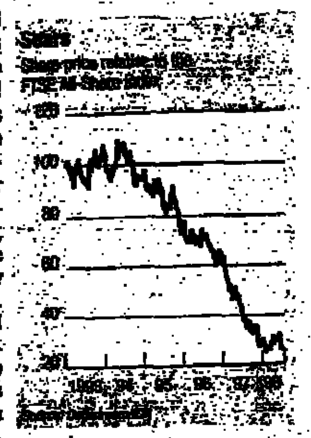
Mr Job in February dismissed as "wild speculation" reports that the group might have undertaken electronic surveillance of Bloomberg.

See Comment & Analysis

Peter Job: memo criticises geographical divisions

COMMENT

Selfridges/Sears



At the time, it seemed a good idea. Demerging Selfridges from Sears would allow it to escape the drip-drip of bad publicity which dogged its parent. The jewel in the crown would attract a premium rating. Only a year ago, analysts confidently valued Selfridges at £550m. Alas, a year is a long time on the High street and an especially long time in the life of Sears. Since then, both profits and valuations have slumped. Moreover, refurbishment to the Oxford Street store is proving more disruptive than originally forecast. What, though, of the future? Start with Selfridges. In the year to January 1999, it will probably only make pre-tax profits of £17m, or around 8p of earnings per share. Given that the figure is depressed, and hence earnings should recover quite fast, a chunky multiple may be justified. But even a multiple of 28 would only produce a share price of 220p, or a market value of some £335m. If the large investments in Oxford Street and Manchester prove successful, though, this figure could rise towards £450m.

The possibility of an economic slowdown and disappointing trading cannot, however, be wholly discounted. If so, £370m may look rich. Doubtless some carpetbaggers will try to capitalise on these valuational doubts. But shareholders who have had the patience to come this far should have little trouble resisting opportunistic offers.

If Selfridges starts trading around 220p, the market is effectively discounting a price of 320p for the rump of Sears. This is a very subdued valuation, but then so are the ratings of other clothing retailers like Arcadia which arguably have better track-records and prospects. Some bid premium is justified for Freemans ahead of its demerger later this year, but any bid will fall well short of the £367m Littlewoods was prepared to pay.

The upshot is two shares, both likely to start on very modest valuations. Given the track record of Sears, this is only appropriate. Folly and bad luck have both been present in abundance. For speculators, the shares are probably worth a punt. Those preferring a quiet life should look elsewhere, or at least, in the case of Selfridges, wait for a trading record to emerge.

Predator takes stakes in trusts

By Jean Eaglesham

Advance Developing Markets Trust, a "vulture fund" designed to shake up the £3.2bn emerging markets investment trust sector, has invested about half the £80m it raised last month.

The Financial Times has learned the identities of nine trusts where Advance has undisclosed stakes, some of which analysts say look vulnerable to attack.

The trust is already creating waves within the emerging markets trusts sector, which has been battered by the collapse of Asian stock markets.

Many shareholders hope that the predator will force the trusts to take action to try and cut the very wide discounts between share prices and the value of underlying assets.

"There has been little outward show of attempts to enhance shareholder value ... confronting questions of poor performance and wide discounts is the duty of the boards of these trusts and perhaps the new trust will help focus corporate minds on these issues" said Dresdner Kleinwort Benson in a recent report. Advance Developing has already declared stakes of 3 per cent or more in four trusts, two of which – Murray Emerging and Edinburgh Inca – are believed to be vulnerable to attack. The Murray trust, which already has another predator, a US firm of arbitraguers, on its shareholder register is "dead in the water" said one analyst.

The vulture has undisclosed stakes in a number of other trusts that could be forced to restructure or take other action. These include Edinburgh New Tiger, Aberdeen New Dawn and Old Mutual South Africa.

The high profile Henderson TR Pacific Investment Trust is also on the hit list – it is holding more than 40 per cent of its £120m of assets in cash and Advance is thought to want it to hand some of that cash back to shareholders.

Other trusts with a relatively good performance track record appear to have been targetted by Advance in the hope that it will make money from a narrowing of the discount, rather than in the hopes of a restructuring.

These include Templeton Emerging Markets, Templeton Latin American, Foreign & Colonial Emerging and Latin American, another trust run by Foreign & Colonial.

Hardy Oil seeks acquisitions

By Robert Corzine

Hardy Oil and Gas, one of the UK explorers most often mentioned as a possible takeover target, is itself likely to seek acquisitions as part of a campaign to rehabilitate its image among institutional investors.

John Walmsley, chief executive, says Hardy has the potential to make "value-added acquisitions," and that such deals "will come at the right time and without recourse to new funds from shareholders".

Mr Walmsley's tenure at Hardy has been marked by an absence of deals, even though he had a reputation as a deal-maker in his former job as finance director of Enterprise Oil.

He now admits that the market has been disappointed at the lack of acquisitions, although he defends the organic growth performance: "We got our public relations strategy wrong, but at the organic level we've outperformed the sector."

He said it was the first time in his career that he had allowed a gulf to appear between the market's perceptions of his intentions and the reality of his strategy: "The PR attached to John Walmsley is that he is a deal-doer. But our strategy was always to deal and drill. We just have to communicate that better."

The company has also suffered from the general sense of malaise that has affected oil industry shares. Hardy, along with several other explorers, is seeing the fruits of its recent organic growth emerge at a time of low oil prices. The exploration and production sector has underperformed the market by about 30 per cent this year, mainly because of the collapse in crude oil prices.

Hardy shares have also suffered because of the poor take-up of a recent rights issue, but Mr Walmsley yesterday said the stock overhang had disappeared.

Shire claims Alzheimer advance

By Virginia Marsh

Shire Pharmaceuticals, the drugs company, has presented research indicating that its new treatment for Alzheimer's disease helps slow memory loss.

The treatment, galantamine, is potentially the company's most valuable new drug. The disease – the most common form of dementia – affects an estimated 10m to 20m worldwide.

It said at the weekend that initial data from Phase III trials, the final stage of clinical tests, suggested that in most patients with mild to moderate forms of the disease – who usually worsen over time – cognitive scores were maintained at or above baseline throughout a year of treatment.

The drug is being developed by Janssen Research Foundation, a Belgium-based subsidiary of Johnson & Johnson, under licence from Shire.

If approved, it will be co-marketed, as Reminyl, in the UK and Ireland by Shire – which specialises in nervous system disorders and bone diseases. Elsewhere, Janssen will mainly be responsible for marketing.

NEWS DIGEST

INVESTMENT TRUSTS

US group targets Biotech Investments

A predator has bought a 6 per cent stake in Biotechnology Investments, the offshore investment company planning a merger with International Biotechnology Trust. The move means the company, capitalised at about £150m, could come under pressure to wind up or partially convert to unit trust status, should the merger plan fail.

The predator is the Liverpool Partnership, a US firm of arbitrageurs which targets trusts within the £60bn investment trust sector whose shares trade on a wide discount to the value of their underlying assets. Its 6 per cent stake was bought on July 2 at a discount of about 35 per cent to Biotechnology Investment's quoted net asset value, according to broker BT Alex.Brown. **Jean Eaglesham**

PAPER

Arjo Wiggins expands in Romania

Arjo Wiggins Appleton has extended its European merchanting network through the purchase of a majority stake in the largest paper merchant in Romania, eastern Europe's second biggest market. The Anglo-French paper group said that it had bought a 60 per cent stake in RTC, a Bucharest-based merchant that also distributes office supplies and manufactures office paper products. The company, which was set up about five years ago, reported sales of £14.7m ($24m) last year. **Virginia Marsh**

MINERALS

Firestone to list with £5m placing

Firestone Diamonds, the diamond and exploration company, is to list on Aim via a £5m placing expected to give the company a market capitalisation of £30m. The proceeds from the placing are to be used to expand its Hondeklip Bay operations in South Africa, estimated to have reserves of 900,000 carats valued at £100m.

The company said it was benefitting from De Beers' commitment to support diamond prices, despite a drop in demand from south-east Asia. **Arkady Ostrovsky**

صورة من الأصل

NEWS DIGEST

SWISS ENGINEERING

Sulzer acquires Italian weaving machine group

Sulzer, the Swiss engineering conglomerate, is strengthening its position as the world's leading textile weaving machinery manufacturer by acquiring the Italian weaving machine business of Nuovo Pignone. The Italian group, based in Schio, is owned by General Electric of the US and its sales per employee are more than twice those of Sulzer's own slimmed-down textile machinery division.

The biggest part of Sulzer's textile machinery business is in projectile weaving machines and the acquisition will strengthen its position in rapier machines, which account for about 40 per cent of the global market for shuttle-less weaving machines. The Sulzer Rüti textile machinery business, which is being renamed Sulzer Textil, has lost money in five out of the last six years and the acquisition of the profitable Italian business is being seen as an important step in restoring Sulzer's own profitability in the sector.
William Hall, Zurich

MEXICAN TELECOMS

Telmex considers Brazilian bid

Telmex, the Mexican telecommunications giant, is mulling a bid in the privatisation of the mammoth Brazilian phone system at a time when its plans to enter the US market have been stalled by regulators in Washington. A company official said Telmex, with its minority US partner Southwestern Bell, was considering taking part in the cellular or fixed-line auctions on July 29, when Telebras, the Brazilian telecommunications giant, is broken up into 12 units. The auctions are expected to fetch at least $14bn.

The possible bid helped drive up Telmex's share price last week. However, its other main cross-border foray, into the Hispanic market in the US, has been delayed by the US Federal Communications Commission. FCC officials were not happy with a preliminary decision last October to grant Telmex a licence to operate in the US, chiefly because of the planned rates the Mexican company proposed to charge US carriers to complete calls in Mexico between 1998 and 2000.

In the preliminary agreement, Telmex had said it would drop international settlement rates to a US benchmark of 19 cents a minute in 2000 after modest reductions this year and next. Its US competitors have demanded much steeper cuts before 2000. FCC officials said the issue was under discussion with Mexican authorities, and Telmex was expected to lower some of the proposed rates. If it does, US carriers such as AT&T and MCI may soften their opposition to Telmex's incursion north of the border. **Henry Tricks, Mexico City**

MALAWI GDRS

Press Corp starts trading

Global Depositary Receipts of Malawi's biggest company begin trading today in London. The move follows last week's international equity offering in which Press Trust, a public trust in Malawi, reduced its holding in Press Corporation, a conglomerate with interests in trading, fuel, brewing, tobacco, banking, financial services and property.

The sale raised a total of $10.9m of which $8.4m came through the disposal of 16.4m shares (in the form of GDRs) to international investors and the rest from the issue of 2.6m new shares. In March, Press Trust raised $12.8m when it sold a 22 per cent stake in Press Corporation to domestic and international investors including Old Mutual Malawi, part of the South African life assurance group. The latest sale reduces the Press Trust holding to 49 per cent.

About 5 per cent of Press Corporation shares are to be offered to employees and domestic investors in Malawi in September. Although equity issues from South Africa are relatively common, those from other countries in the region remain rare. A specialist at Robert Fleming, lead manager on the deal, said: "As economic fundamentals in Sub-Saharan Africa improve, more offerings of this kind may follow."
Joel Kibazo

ELECTRONICS

AMP to cut 3,500 jobs

AMP, the world's largest supplier of electric and electronic connectors, is to cut about 3,500 jobs worldwide as part of a programme to streamline manufacturing facilities and simplify the business. The company, battered by the strong dollar and weakening sales in Asia-Pacific, also said it was looking to consolidate plant facilities over the next two years, and announced it had already slated the Loganville plants in Pennsylvania and its Kernersville plant in the North Carolina for closure. **Nikki Tait, Chicago**

CHRYSLER

Kerkorian reduces stake

Kirk Kerkorian, the West Coast investor, and his privately owned Tracinda Corporation, have cut their stake in Chrysler, the US automotive manufacturer which is in the throes of a $40bn merger with Daimler-Benz of Germany. In a federal filing, the investment company said it had sold 9.4m shares, at prices ranging from $55.88 a share to $56.75, and now holds just under 80m shares in the Detroit-based carmaker. The shares were sold, according to the filing, to avoid adverse tax effects in connection with the planned merger.

Mr Kerkorian acquired most of the holding in the early 1990s, and attempted a takeover in 1995. Although this quickly collapsed, he did wring some changes from Chrysler, under a five-year standstill pact – notably, a promise on dividend pay-outs and some corporate governance matters.
Nikki Tait

MERCHANDISING

Real Madrid appoints Zone

Real Madrid, the heavily indebted European football champions, have appointed Zone, the UK publisher and merchandising consultants, and Deloitte & Touche, the accountants, as commercial consultants. Edward Freedman, Zone's managing director, who built up Manchester United's merchandise department, said: "Europe has realised how well we market football in England."

Zone directs all commercial and merchandising activities at AS Roma, acts as consultants to Nottingham Forest in the UK, and will launch the official Chelsea magazine next month. The company also works on merchandising for the Spice Girls. **Simon Kuper**

FINANCIAL SERVICES

Arab-Malaysian seeks protection

Arab-Malaysian Corp, a big Malaysian financial services group, sought court protection from creditors to give it time to seek the highest prices for its assets. Bernama, the government news agency, said the company had M$1.1bn (US$268m) in debts from the 65 per cent collapse in share prices since investors withdrew from the region last year. It is the third big company to seek court protection in recent days.
Sheila McNulty, Kuala Lumpur

Fresco puts Fiat on the global road

Corporate culture at the most Italian of international companies is set to change, says **Paul Betts**

Market movers

Paolo Fresco is a classic "Americano" – an Italian who made it good in the US. And last week the Americano, who has now returned to his native Italy, made it clear that his 37 years in the US would weigh heavily in his new role as chairman of Fiat, Italy's biggest manufacturing company.

The former deputy chairman of General Electric, the US conglomerate, has only spent a few weeks in his new job. However, at his press debut in Turin on Thursday, he wasted little time in casting the global imprint he plans to bring to this most Italian of international companies.

"My past experience is the basis on which I will build my role at Fiat," said Mr Fresco, who has spent all his working life so far at GE. "A constant theme at GE was leadership in globalisation."

That meant establishing a sales and production presence in the world's biggest markets, and changing the culture of the US company into a global one.

"I was the first vice-president at GE who was not American. For the past eight years I was part of GE's chief executive office and with Jack Welsh, GE's chairman, we managed the company in a collegial way. We launched new strategic initiatives," said Mr Fresco.

"Five years ago we moved the manufacturing company into services," he said, adding that Fiat had also started doing this.

His relationship with Paolo Cantarella, Fiat chief executive, would also be modelled on the GE concept.

"We will work like a team. By combining our joint and complementary experiences we should be able to build a winning team," he said.

Fiat will need it. Although Cesare Romiti, the former chairman, left Fiat with strong net profits, totalling L3,000bn ($1.7bn), and record sales of L90,000bn, after selling most of its non-strategic assets and refocusing on core automotive activities, profit margins of the main car business remain awful.

"They are ghastly," Mr Fresco, used to GE's tough profit targets, readily conceded, but it was a problem for the whole car industry. A primary objective, however, would be to put the accent on value creation to improve profit margins that slumped to 0.1 per cent in the first quarter of this year.

Manufacturing overcapacity and dismal profit margins have fuelled the current consolidation wave in the automotive sector. Mr Fresco's arrival and his past credentials have further excited speculation that Fiat is poised to combine with another large car group.

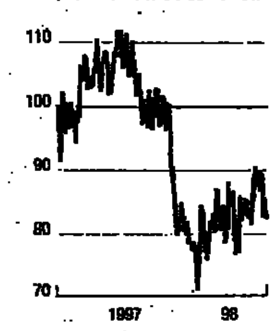
Mr Fresco was quick to pour cold water on recent merger speculation.

"I can confirm we have had no discussions with BMW and that there have been no merger conversations between the Agnellis [Fiat's main shareholders] and the Quandt family [who control BMW]", he said. Neither was Fiat taking part in any plans for a joint bid for KIA of South Korea.

Mr Fresco insisted the company had the management, the strategies, the products and the resources to survive on its own. That did not mean it was blind to potential partnership opportunities. But any partnership would be established from a position of strength and not as a "passive partner".

Fiat

Share price relative to the Comit index



Source: Datastream/ICV

He had not been brought into Fiat to sell the company. "I have no specific mandate," he said, adding that his role was to ensure continuity and evolution.

"In any case, my past experience is not of disposing of assets but of growth. At GE, international activities now account for 50 per cent of the business, from a mere 15 per cent when I first joined."

Fiat had also virtually completed the disposal of its non-core assets.

Mr Fresco said Fiat was already well advanced in its globalisation. For cars, the main target of expansion were developing markets such as India, South America, China and Russia.

For other operations, such as components or factory processes and automation, there was room to expand in industrialised countries. He did not see at this stage any room for expanding in cars in the US markets.

Fiat would pursue its strategy of enlarging its value change. "What we are talking about is transforming our manufacturing industry to serve our customers' other needs." The survivors in the industry would be those companies able to introduce efficiency and better serve their customers before the others.

Fiat was facing a difficult period, he admitted. Apart from problems in Brazil and the ending of Italian government incentives for new car sales, the Asian crisis risked having broad repercussions.

Mr Fresco said Asian countries could seek to export their way out of recession "and that means dumping".

He talked and sounded like a worldly American executive and was surprised when a journalist asked about his views on corporate transparency. "That's the only way I work," he said.

Another asked about Fiat's relationship with Italian politics. "My experience in relationships with politicians is virtually non-existent. I believe in the independence of powers," he said.

A third asked about the problems of heading a family company. "My mandate would be no different if I worked for a public company – I work for the benefits of all the shareholders," he said.

There may be no immediate revolution – Mr Fresco said he would start working full-time in his new job in October – but Fiat's "Americano" has already set the wheels of a cultural evolution in motion.

WorldCom to launch optical fibre network

By Alan Cane

WorldCom, the fast expanding US telecommunications group, is claiming industry leadership this week with the entry into service of an advanced optical fibre network code-named "Ulysses" linking Europe's financial centres and the US.

The networks in Europe and the US and the undersea cables that connect them link 27,000 US offices and 4,000 buildings in Europe. The cables and switches are wholly owned and managed by WorldCom, which gives it a significant commercial advantage over competitors that are forced to lease capacity on other companies' networks to collect or deliver international calls.

"When you own a network end-to-end you can control costs, quality and the products and services you offer," said John Sidgmore, WorldCom's chief operating officer.

Customers in Europe could expect to see significantly lower communications costs. WorldCom's network is designed to carry volumes of data that would conventionally be consigned to private lines leased at high cost from telecoms operators.

New services include international ATM, the transmission technology which underpins the information superhighway.

Mr Sidgmore said: "The European network is the centrepiece of WorldCom's strategy to be the world's premier provider of telecoms services over its own facilities, owned and managed end to end."

The significance of the launch is underlined by the fact that Liam Strong, head of the company's operations outside North America, chose the occasion to give his first public interview since taking control.

"We are up and operating only seven months after liberalisation of the European telecoms market while others are still thinking about it," he said. "This network will allow us to become a major global player."

WorldCom turned over only $7.35bn last year but is growing through organic growth and acquisition. It is in the final stages of having its proposed merger with MCI, the second largest US long distance operator, approved by US regulators.

Many analysts believe it is the company best placed to take advantage of the revolution in telecoms, which emphasises intelligent networks, data transmission and the internet at the expense of traditional voice calls.

Now that the core of the European network is complete, the company is considering expansion northwards into Scandinavia and south into Spain and Italy.

WorldCom is already committed to an aggressive expansion programme in Tokyo and Sydney starting in the autumn.

NatWest considers making markets

By James Mackintosh

NatWest Stockbrokers, the retail broking arm of National Westminster bank, is drawing up plans to become a marketmaker in the privatisation and demutualisation shares in which it has high turnover.

Marketmakers promise to offer "best price" for certain shares at all times, either matching or beating the market, and taking the deals on to their own book.

The move would allow NatWest, the equal largest retail broker in the country, to retain the profits on marketmaking that it otherwise passes on to the likes of Merrill Lynch or Dresdner Kleinwort Benson, the marketmakers that deal with retail stockbrokers.

Richard Hunter, head of the dealing services division at NatWest Stockbrokers, said plans were still at "drawing board stage". But he added: "We are now free [of internal political restraints] because NatWest Markets has gone."

NatWest Markets was the investment banking arm of the bank, which made markets, but was sold to Bankers Trust for $129m last December and merged with BT Alex Brown.

He said as well as privatisation shares such as British Telecommunications, he hoped to make a market in National Westminster itself.

NatWest would not only use its marketmaking services internally, but offer them to other institutions. "The first people you would go to to deal in NatWest shares is NatWest Stockbrokers," he said.

None of the big retail stockbrokers currently acts as a marketmaker. Barclays Stockbrokers, the same size as NatWest Stockbrokers, said it was not considering becoming a marketmaker after selling off BZW, which made markets. However, several upmarket brokers, such as Cazenove, Kleinwort Benson and Merrill Lynch, operate as both retail brokers and marketmakers.

Marketmakers make money through the spread between buying and selling prices on shares, taking deals from brokers and either holding the shares themselves or matching them with other orders. Mr Hunter said: "The question is, are we leveraging our order flow enough?"

He dismissed any questions of a conflict of interest between the stockbroking and marketmaking operations. "The sensitivities of who owns whom just go out the window when you have got a duty of care," he said.

Vickers to expand in marine propulsion

By Andrew Edgecliffe-Johnson

Paul Buysse, the new chief executive of Vickers, is planning a big expansion of the engineering group's marine propulsion division, which is likely to involve a series of acquisitions and joint ventures in the fast-growing propulsion industry.

Mr Buysse hopes to extend the division's activities from propellers, water jets and thrusters to a complete propulsion package including the engineering software on the ship's bridge.

His ambitions could use up much of the £200m ($328m) cash pile with which Vickers has been left following the sale of Rolls-Royce Motor Cars to Volkswagen.

The decision is one of the first conclusions of a review of the group that Mr Buysse, a former BTR executive, began on his arrival in May. He has told investment analysts in recent meetings that the review will be completed in mid-August.

His plans for the Kamewa marine propulsion business have been given a mixed reception by some analysts. One sceptic said: "I am fearful that [Mr Buysse] will go out and buy a lot of rubbish and Vickers will wither."

Mr Buysse's marine ambitions could also set him at odds with those of Sir Christopher Lewinton, chairman of TI Group. TI's John Crane division has bought two marine propulsion businesses this year, and is believed to be eager to expand further by buying Kamewa from Vickers. Sir Colin Chandler, Vickers' chairman, is a non-executive director of TI.

Vickers is in talks to sell Brown Brothers, however, and could conclude a deal this month. Vosper Thornycroft is believed to be among bidders for the ship stabiliser equipment business, which could fetch £20m.

Acquisitions and joint ventures are also likely in Vickers' tanks business, which makes the Challenger 2. It is believed to be seeking talks with GIAT of France about research and development collaboration and may pursue similar talks with Germany's Rheinmetall.

Sir Colin and Mr Buysse have concluded that consolidation in the European tank industry should begin on a country-by-country basis. Analysts expect it to resume its pursuit of GKN's £100m-plus defence business, which is seen as a non-core area of the engineering group.

GKN's attraction over Alvis, the independent UK tank maker, is that GKN is in the winning consortium for a £3bn multi-role armoured vehicle contract, which the Vickers and Alvis consortium lost.

Vickers, whose current tanks order book will run out by 2001, is expected to defer any decision on closing one of its two factories in Leeds and Newcastle until it has completed such an acquisition.

Bouygues family go on the offensive

By Robert Graham in Paris

The Bouygues family has gone on the offensive against French financier Vincent Bollore to break his blocking role as a dissident shareholder on the strategy of the Bouygues construction and telecommunications group.

Martin Bouygues, group chairman, and his brother Olivier have lodged a request with the financial markets council (CMF) to allow them to break a five-year pact to act in concert. This was signed last December with Mr Bolloré after the latter had acquired nearly 10 per cent of voting rights.

The request, due to be heard on Wednesday, claims Financière du Loch, the Bollore company holding the financier's stake, has failed to act in concert either at board level or at the annual shareholders' meeting.

If the CMF accepts the Bouygues' case, they will have a freer hand to bring in new shareholders or in issuing new capital. Rejection means the continuation of an uneasy "co-habitation" for more than four years.

The timing is significant since CDR, the company formed to sell non-essential assets of Credit Lyonnais, holds 8 per cent of the voting rights. CDR is reportedly being courted for its Bouygues stake.

This is the latest twist in months of open warfare between the two Bouygues brothers, who control 22 per cent of voting rights, and Mr Bolloré. As a result of the concert pact, Mr Bolloré gained two board seats and made clear the construction and utilities giant was ripe for a shake-up after underperforming the stock market for much of the 1990s. The prospect of Bouygues divestments with the advent of Mr Bolloré has helped boost its share price this year.

The main source of disagreement has been telecommunications strategy, with Mr Bolloré arguing that the group does not have the means to back its diversification into running France's third mobile phone network.

On July 7 he is understood to have abstained from voting in favour of purchasing 10 per cent of Bouygues Telecom held by Cable and Wireless. Earlier he had refused to approve 1997's accounts.

A statement from the Bolloré camp over the weekend claimed the concert pact had been respected to date. "The text envisaged the freedom of vote for the shareholders: thus Vincent Bolloré has the right to vote as he feels. However, he has only abstained: never voted against a board motion."

EMERGING MARKETS RETRENCHMENT FOR SOME HAS LED TO OPPORTUNITIES FOR OTHERS

Time to pick up the pieces

By Emiko Terazono

June was another bad month for emerging markets. The IFC index fell 10.4 per cent, which combined with May's losses, totalled 23 per cent, the second largest two-month decline in the index's history.

Although sentiment has improved this month thanks to the halt in the yen's decline and a rebound in Russia, jitters have persisted among the emerging market community as staff cuts at Jarding Fleming in Hong Kong and the collapse of Caspian, the emerging markets specialist, raised the number of casualties.

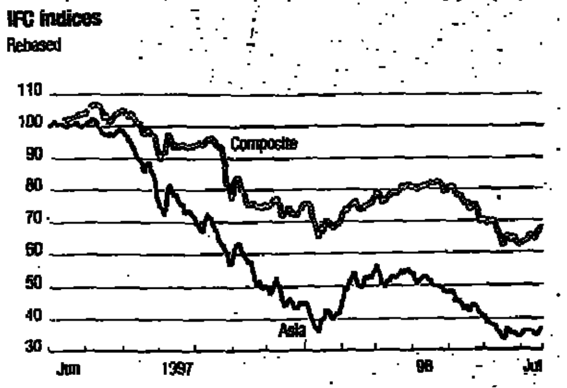
With money coming into developing markets drying up, fund managers say the number of orders given out to brokers has plunged.

"About 60 per cent of the people covering Asia now will probably have to go. There isn't enough commission to cover their costs," says Ashok Shah, fund manager at Old Mutual.

Retrenchment for some, however, has presented opportunities for others. Continental European houses and some US investment banks, keen to build up their emerging market businesses, have been busy picking up the pieces.

"We see the current situation where our competitors are pulling out, as an opportunity to build," says Feike Goudsmit, head of emerging European equities at ABN Amro in London. The bank is still recruiting for its London-based research and trading teams, and also personnel for local offices in emerging Europe.

IFC indices
Rebased



Source: Datastream/ICV

Others that are expanding include Donaldson, Lufkin & Jenrette, which is currently expanding its non-US investment banking operations, and Banco Santander, which took on the Asian operations of Peregrine, the Hong Kong-based investment bank that collapsed earlier this year.

Although the weighting of emerging markets in various benchmarks has fallen sharply and volumes have dried up, they see the current environment as a buying opportunity.

"If people are saying that emerging markets are going to remain submerged forever, that is a hell of a statement," says Richard Briance, chief executive of West Merchant Bank, the London arm of Westdeutsche Landesbank.

The bank has been hiring personnel for its emerging equities and asset management businesses.

It recently appointed Allan Conway, who was at LGT Asset Management, as chief executive, and James Garvey, former managing director and head of emerging markets at UBS in London as head of corporate finance for central and eastern Europe, the Middle East and Africa.

"You need to build things at the trough. If you go in when things are hot and go out when they're down, you're going the wrong way," says Mr Briance.

The recent search for safe havens with low correlation to movements in Asia has identified central European and Middle Eastern markets as well as Latin America as potential money makers.

Central European countries, including Hungary and Poland, are promoted as "convergence plays" as they prepare to enter the European Union, while the Middle Eastern markets, with low foreign exposure, are also being highlighted by analysts.

For banks that have identified emerging markets as their main focus of business, it is a time to grit their teeth and hope for better times. "Things are very difficult but there are opportunities in mergers and acquisitions, and we are picking up a few deals," says Shane O'Riordain at Flemings.

In Asia, which has seen a wave of cutbacks since late last year, analysts and brokers are hopeful that much of the retrenchment is over. "If anything, banks now seem to be hiring, since many are finding that the cutting may have been overdone," says one emerging market analyst.

Although things may seem grim in the short-term, there will be opportunities once Asian banks and companies start to recapitalise, say fund managers.

"Volumes will probably never be the same again, but with new issues and privatisations, there will be corporate finance opportunities," says Charles Brock, fund manager at Foreign & Colonial.

But while the newcomers into emerging markets have helped mop up the overcapacity, some fund managers only see it as musical chairs, with familiar names representing a different investment house. "It's the same people and it's not like we're getting any value added," grumbles one fund manager.

Mol buys regional gas stake

By Kester Eddy in Budapest

Mol, the Hungarian oil and gas company, has acquired a 35.45 per cent stake in regional gas distribution company Egaz, which serves the relatively prosperous north-west of Hungary.

The transaction means Mol now holds significant stakes in three of five regional gas companies, all of which were spun off from Mol's integrated state-owned predecessor only in 1991.

Stakes of 50 per cent plus 1 share in the state-owned GDCs were sold to foreign investors in late 1995, and afterwards 40 per cent of shares were distributed to local councils in lieu of land contributed to the companies. GDCs buy all their gas from Mol, which has exclusive rights to import and transmit gas in Hungary.

Mol acquired a 10 per cent stake in Degaz, majority owned by VEW and Ruhr Gas of Germany, and early last week announced the purchase of a 27.18 per cent stake in Degaz. Both Degaz and Egaz are majority owned by Gas de France.

Mol has declined to reveal the previous owners or the price of the stakes, which local press reports have put at more than Ft 10bn ($46m). However, Russia's Gazprom is believed to have held stakes of about 15 per cent in Degaz and Egaz.

Settlement delays dent Greek market

By Jeremy Grant in London and Kerin Hope in Athens

Trading in Greek securities has been hit by persistent settlement problems and volumes have fallen significantly as foreign brokers scale back their orders in one of Europe's most promising new markets.

The development has hit foreign confidence in the Greek securities market as the country attempts to shed its emerging market image in its campaign for membership of European monetary union by January 2001.

It also casts doubt on whether its securities settlements systems will be able to handle a raft of private offerings planned under the government's privatisation scheme.

Greek officials have been working hard to iron out the problems, which emerged after the drachma's entry into Europe's exchange rate mechanism in March. Trading volume quadrupled but antiquated settlement systems were unable to cope.

London-based settlement officials say thousands of trades were failing in the local market, although the situation has improved.

Nevertheless, one US investment bank, Morgan Stanley, is understood to have banned trading in Greek securities until the problems have been ironed out. A bank spokesman said he knew of no such ban.

Another large US bank said it was doing about half as much Greek business since problems began and that trading was becoming expensive as settlement delays forced some banks to fund their own positions.

Average daily trading volume on the stock exchange fell to Dr60.8bn ($205m) in June, from Dr87.5bn in the last two weeks of March.

In contrast with northern Europe, the Athens stock exchange requires share packages to be matched immediately with specific buyers and sellers rather than permitting brokers to make block trades and assign shares after settlement is completed.

Greece's ban on "nominee accounts" to carry out block trades makes it hard for the country's custodian banks to meet the settlement deadline if trading volume suddenly increases.

The main burden has fallen on Citibank in Athens, which acts as global custodian for about 70 per cent of transactions involving international brokerages.

"We've upgraded our systems and brought in more people to handle processing after the problems in the spring," said Takis Arapoglou, head of Citibank's operations in Greece.

"Volume is now much lower, but if there's another big increase we'll be able to cope without difficulty," he said.

London Stock Exchange opens later for trading

By George Graham, Banking Editor

The London Stock Exchange will open for trading at 9.00am from today in a bid to tackle the erratic pricing that has bedevilled its Sets electronic order book in the early morning.

The new opening hours – half an hour later than before – are intended to avoid the wide spreads between buying and selling prices evident in early trading, when institutional investors are still digesting overnight news and forming their strategies for the day.

Brokers hope the move by the London International Financial Futures and Options Exchange to bring its closing time for equity index futures into line with the exchange at 4.30pm will also improve pricing at the end of the day.

But the delayed opening has infuriated retail stockbrokers, which receive many of their orders overnight and would have preferred, if any thing, to open the market even earlier than before.

In a move that contrasts with the exchange's later hours, Tradepoint, the struggling electronic stockmarket, will today announce a fee rebate for members who post orders early in the day.

Members who display an order between 7.30am and 9.30am will receive a credit of 2 basis points against their Tradepoint fees if the order is matched that day.

"The problem is the lack of willingness of people to post orders visible to the market. This imaginative initiative is Tradepoint's way of encouraging market users to post their orders early in the day," said Nic Stuchfield, at Tradepoint.

LSE's Sets system will open for orders at 8.50am, and trades at 9.00am. To maintain consistency in opening hours across the market, the mandatory quote period for smaller stocks traded outside Sets order book also moves to 9.00am, though retail brokers expect marketmakers to continue quoting prices from 8.15am or 8.30am.

The exchange had also said it intended to start calculating official closing prices as a volume weighted average of bargains in the last 15 minutes of trading, instead of the last traded price, probably in December.

However, this idea, like the opening hours, will have to be reviewed in the light of the LSE's new alliance with the Frankfurt exchange.

Liffe's change in its trading hours means trading of Footsie futures finishes at 4.30pm from today, compared with the previous 4.10pm. After hours trading starts at 4.46pm and ends at 6pm, and index options trading also finishes at 4.30pm.

UK index tracking funds gain ground

By Jane Martinson, Investment Correspondent

Index tracking fund managers have gained ground in the UK at the expense of their larger active competitors as the latter continue to take a bearish stance on equities.

Legal & General Investment Management, one of the UK's largest index tracking fund managers with £55bn ($90bn) in assets, rose from seventh to fourth place in the year to May in a survey of investors in UK equities compiled by Citywatch.

A rising stock market and several large pension fund wins, including the contract for Centrica, the utility group, were the main drivers to this performance.

L&G and Barclays Global Investors, its main index-tracking rival, both seemed to benefit from the poorer performance of PDFM and Gartmore, two of the biggest UK pension fund managers.

PDFM, whose future is under review by UBS, its Swiss parent, fell from fourth to eighth place in the FTSE All-Share rankings.

The company, recently renamed Phillips & Drew, believes the world's equity markets are overvalued, a view that has put it near the bottom of the performance league tables in the past three years.

Although BGI's holdings in UK equities has remained in fifth place, the group has become the fourth largest manager of segregated pension funds, relatively large company accounts.

Data collected by Citywatch also revealed that Mercury Asset Management, the UK's largest pension fund manager, had lost market share.

The company, which was bought by Merrill Lynch for £3bn last year, saw its share of the total UK equity market slip from 3.94 per cent to 3.69 in the year to July. It also lost ground in the FTSE 100.

At the same time the total it invested in the UK market rose 29 per cent to £53.3bn, largely as a result of a rising stock market.

Acquisitions helped Axa Sun Life Investment management, the company owned by the French insurance group, and Royal & Sun Alliance, the insurer, move into the top 10 in the UK equity ranks.

Prudential Portfolio Managers remained the largest manager overall, with £118bn in assets after its acquisition of Scottish Amicable last year. Schroder Investment Managers, which sponsored the Yearbook, is the second largest company with total assets of £105bn.

Institutional Investor Yearbook 1998 available from Citywatch on 0171 648 6035

Linde keen to spread its wings

The German group's new chairman sees strength in diversity, writes **Peter Marsh**

Gerhard Full, chairman of Linde, the German industrial group, probably dreams about driving hydrogen-powered lift-trucks around refrigerated pharmaceutical plants.

This vision encapsulates the main business areas for the company, one of the heavyweights of Europe's engineering industry.

The Wiesbaden-based company wants to expand its sales by 40 per cent in the next five years, pushing away from its main markets of Europe into the Americas and Asia.

While the group's disparate array of businesses defies the fashion towards more "focused" companies, Mr Full believes the spread gives it more expansion opportunities, and some unexpected benefits.

However – amid the financial crisis in Asia, which some observers believe could depress Linde's main markets – Mr Full may find it hard to fulfil his ambitions.

Mr Full has worked at Linde since 1962. He took over as chairman just over a year ago from Hans Meinhardt, the chairman for 30 years. Mr Meinhardt, who is now chairman of the supervisory board, championed the company's growth to become the world's biggest maker of lift-trucks.

Linde is also the second biggest worldwide producer of refrigerated food cabinets for retailers. It is among the biggest global suppliers of industrial gases, and builds specialist process plants, for instance for the drugs and chemicals industries.

Mr Full is keen for the company to spread its wings. "I am not just a fan of lift-trucks, but of Linde as a whole," he says.

With sales last year of DM9.5bn ($5.3bn), of which 84 per cent came from Europe, Linde is aiming for DM14bn by 2003, of which a quarter could come from outside Europe. Last year it made net profits of DM447m, up 13 per cent on 1996.

Most of the growth would come from internal expansion, although the company is also looking for a large acquisition that could further boost sales.

The search for the so-called "fifth leg" was started by Mr Meinhardt about three years ago. With none in sight, the quest confused stock market analysts, who have started to doubt Linde's seriousness. Such sentiments, together with worries about its exposure to Asia, have held Linde's share performance to 45 per cent below that of the DAX index in the past two years.

Olaf Tölke, of Merrill Lynch, says most of Linde's businesses are solid performers but many investors are "fed up" with trying to work out its strategy. Gideon Franklin, of Morgan Stanley Dean Witter, says Linde faces a "challenging" task to meet its growth targets, given the maturity of many of its businesses and potential problems from Asia.

Gerhard Full: 'Whatever we buy must strengthen the other divisions'

Mr Full says Linde is still keen on a large acquisition but says it will have to fit in with the rest of the group. "Whatever we buy must stabilise and strengthen the other four divisions. Everything that does not will be screened out."

He also says the existing parts of Linde are in a good position to expand, perhaps with small acquisitions to help market penetration in specific regions.

These would follow the company's DM400m spending spree in the past 18 months on buying companies in countries including the US, the UK and Brazil.

With an eye to sharpening up profitability, the company has said all four divisions must aim for a return on capital above 20 per cent – a criterion currently met only by the gases division.

Of the four units, the two smallest, refrigeration systems and plant contracting, have the biggest potential for growth, says Mr Full.

Both these divisions, which had sales last year of DM1.2bn and DM1.4bn respectively, could reach revenues of DM3bn and DM2.5bn by 2003.

The plant contracting division, which derives just 12 per cent of its revenues from Germany and 55 per cent from outside Europe, is more internationally focused than the company as a whole.

Mr Full is particularly confident about expansion prospects in this division from the Americas, for instance in specialist projects for the chemicals industry.

In lift trucks and gases, which had sales last year of DM4.2bn and DM2.7bn respectively, growth opportunities are less obvious. Both are fairly mature markets, with price competition in most parts of the world intense. Even so, Mr Full envisages expanding both areas by about 30 per cent in the next five years.

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Dresdner Kleinwort Benson

Western groups on Asian buying spree

By Clay Harris, Banking Correspondent

Western companies, led by US buyers, have stepped up their acquisitions in the six Asian countries most affected by the region's economic crisis.

Non-Asian buyers spent $6.52bn in the second quarter of 1998 on deals in Japan, South Korea, Hong Kong, Malaysia, Thailand and Indonesia, according to IFR Securities Data, which monitors worldwide takeover activity.

This continues an upward trend since the third quarter of last year, when the total was only $680m. Deals in the fourth quarter of 1997 fell just short of $8bn, rising to about $5.5bn in the first quarter of this year.

The pattern looks likely to continue as the number of solicited deals – assets or subsidiaries put up for sale – in the first half of 1998 exceeded last year's total in each of the six countries except Japan.

South Korea and Japan accounted for most of the increase in the value of takeovers. The value of deals in Hong Kong and Indonesia fell, while Thai deals were lower than in the first quarter, Malaysia continued to attract little interest.

Financial services was the most active sector, as illustrated by Merrill Lynch's purchase of Yamaichi's retail network and Travelers Group's acquisition of a stake in Nikko Securities.

US buyers represented 59 per cent of non-Asian investment in the region since July 1997, followed by companies from the UK (11 per cent) and Germany (9 per cent).

A survey published last week by KPMG Corporate Finance found that the total value of cross-border deals in Asian and Pacific countries have fallen by more than a third in the first half of 1998 from the same period last year.

The KPMG survey was more wide-ranging than the Securities Data survey. For example, China and India, which were not included in the latter, showed big falls in the value of cross-border deals. KPMG also monitored all cross-border activity, picking up the decline in such takeovers by Asian companies themselves.

Report recommends more back-office mergers

By Clay Harris

Investment banks hoping to get ahead in the consolidating global market should co-operate in restructuring their operations systems, hiving them off into an independently managed "joint service utility", according to the co-author of a report published today.

Paul Reyniers of consultants A.T. Kearney said this strategy would be the next big step for the sector, as banks realised the limits of making cost-savings simply through the greater scale and elimination of overlaps achieved by mergers.

Mr Reyniers said: "The chief executives in this role have no other way out but to be thinking about their next merger, even before the existing merger integration has taken place."

Bankers should instead consider coming together on the operations side, he said.

For example, three banks, one with the best equities system, and others with the best fixed-income system and foreign exchange and cash management system might combine forces.

"Extract the systems and put them together to create a joint service utility," Mr Reyniers said. "You can put a value on it – it would have its own profit and loss and asset structure."

The biggest issue would be whether managements would be comfortable with the loss of control, he said.

The idea is not without precedent. Two years ago, three of Canada's biggest commercial banks created Symcor Services to handle some back-office functions. ANZ Bank is in talks with an Australian competitor about a back-office merger.

Cedel, the settlements agency owned by more than 100 banks, has a comparable trading and communication network in InterTrade Direct. Cedel Global Services intends to fulfil the same function for settlement and custody. But Mr Reyniers said: "What we need is the industry to drive this, through more enlightened players."

The ideal candidates would have mastered the year 2000 and euro challenges and be thinking ahead to their next big move, he said. Their systems would be relatively new, based on cash-flows as opposed to individual products.

Such an approach might be especially appropriate for European investment banks faced with competition from the increasingly dominant US super league, he said.

Global Investment Banking Strategy. A.T. Kearney/Economist Intelligence Unit. $700. Europe: +44 (0)171 830 1007; rest of world: +1 212 554 0600.

Televisa set for telecoms buy

By Leslie Crawford in Cancún

Televisa, the Mexican media conglomerate, intends to invest in a telecommunications venture owned by one of its controlling shareholders, in a move likely to upset minority investors.

Televisa executives said the company had agreed in principle to take a minority stake in Pegaso-Qualcomm, a joint-venture headed by Alejandro Burrillo, Televisa vice-president and head of international affairs, which recently won a bid for government radio frequencies to operate wireless telephony.

Pegaso paid $256m for the radio frequencies, and last week signed a $650m investment accord with Qualcomm, the US developer of mobile phone technology, to create a new telecommunications company in Mexico.

Analysts estimate the company will have to invest at least $800m to compete with Telmex, the largest telecoms company in Mexico, and at least four other rivals that won licences to operate the next generation of digital cellular telephony.

Televisa is expected to announce the size of its commitment to Pegaso-Qualcomm within the next two weeks. Media analysts in Mexico, however, said they saw little strategic sense in Televisa's foray into telecoms, and predicted Televisa's share price would fall on the news.

Televisa's American Depositary Receipts, which closed on Friday at $42 1/16, have outperformed the Mexican stock market by 33 per cent this year, said Leonardo Simpser of Deutsche Morgan Grenfell.

This was because investors had welcomed a restructuring plan, announced by Mr Emilio Azcárraga Jean, the group's president and chairman, a year ago, which promised to lift operating margins by shedding loss-making businesses, cutting overheads and retiring debt.

Investors had also been encouraged by the appointment of professional managers to head Televisa's finance, production and sales departments.

Until the death last year of Emilio Azcárraga, Mr Azcárraga Jean's father, Televisa had been run as a family business, where loyalty was more important than efficiency, and relatives were frequently appointed to senior positions.

As a result, Televisa grew into an unwieldly empire with 20,000 staff.

Analysts said Televisa's planned investment in Pegaso-Qualcomm would be a setback to its plans to become the more focused, professionally-managed company that had been promised to minority shareholders.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
GE Capital (US)	Lake (Japan)	Financial srvcs	$4.3bn	Detail awaited
Tise (Spain)	PRT (Puerto Rico)	Telecoms	$1.93bn	Rival to GTE
C&W (UK)	Unit of MCI (US)	Telecoms	$1.75bn	Internet move
Enron (US)	Elektro (Brazil)	Power	$1.27bn	Record premium
Monsanto (US)	PBIC (UK)	Food science	$530m	Unilever disposal
Pirelli (Italy)	Unit of Siemens (Germany)	Cables	$278m	More consolidation
Chancellor Media (US)	Radio Centro (Mexico)	Broadcasting	$237m	Cash & paper
Interpublic (US)	IPR (UK)	Business srvcs	$172m	New PR force
Pressac (UK)	G Cartier (France)	Vehicle compnts	$105m	Tender touch
Alcan (Canada)	Indal (India)	Metals	$67m	Taking control

INTERNATIONAL BONDS ASIAN COUNTRIES HAVE BEEN FORCED TO DELAY BORROWING PLANS

Latin America spared market's worst

By Jeremy Grant

Brazilians may still be smarting from watching the World Cup slip from their grasp, but at least the country's bankers can console themselves with one thing.

Latin American bonds seem to have been spared the worst ravages of the latest round of emerging market turmoil and some countries have managed to borrow on the capital markets without too much trouble.

That has been in stark contrast to the fate of Asian and other emerging market borrowers, forced to hold back on their borrowing plans as ever-widening yield spreads have put the capital markets out of their reach.

Last week, the J.P. Morgan emerging market bond index (EMBI), widely viewed as a benchmark for emerging market debt, was showing average yields on a basket of bonds at about 579 basis points over the main US Treasury bond. That compares with an average of 700 basis points at the height of the first phase of the Asian financial crisis in November last year.

Investors have also been hurt, with many recent issues trading at steep losses to their launch price. However, although Latin bonds have suffered as investor appetite for this asset class has fallen, they have still outperformed their non-Latin counterparts by up to 15 per cent, according to J.P. Morgan.

Argentina, for example, has managed to come to the market throughout the troubles on average once every two weeks. Last week, it sneaked through an E500m ($454m) issue priced to yield only 360 basis points over the US Treasury.

That underlines how far investors have been prepared to separate Latin America from other emerging market risk, analysts say.

"In the past couple of weeks there seems to have been a decoupling of Latin [American] debt from the other emerging market debt," said Rick Haller, director of emerging market proprietary trading at Deutsche Bank. "Clearly the Russian problems were isolated and Asia has been looking, at least in the short term, stable. That has allowed people to focus on Latin America rather than look at it as a function of the upsets in other markets."

The main reason why Latin America has been better placed is that its economic and political fundamentals are looking better than those of other emerging markets, economists say.

Many governments are reaping the benefits of structural reforms initiated after the Mexican peso crisis.

Most have had some success in controlling inflation and have received strong electoral backing for reform – although the adjustment process is being slowed down with elections pending in Brazil and Venezuela.

In Argentina – where there is no election on the immediate horizon – gross domestic product growth is expected to be 5 to 5.5 per cent this year, the strongest of the Latin American economies. Bank deposits are surging.

Brazil's current account deficit should end this year at between 3.5 and 3.8 per cent of GDP, providing a nagging trade deficit keeps shrinking.

"The region should be resilient. The Latin American context is one of improving politics and fundamentals, so we should see them outperform," said Richard Gray, head of emerging markets research at Bank of America.

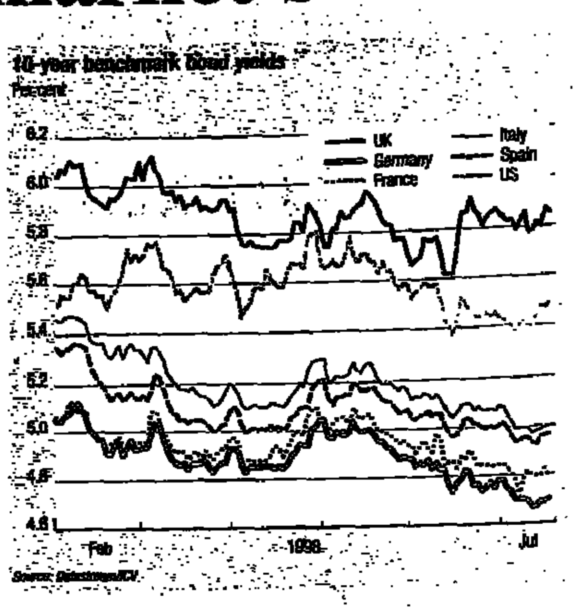
The only black spot is Venezuela, where there are fears of an imminent devaluation and the leading candidate in the forthcoming presidential election favours introducing a moratorium on the country's foreign debt payments.

At the same time, financing needs are still acute across Latin America.

BBV Latinvest, part of Grupo BBV, estimates that of the $34bn worth of emerging markets new bond issuance in the pipeline for the rest of this year, 28 per cent will originate in Latin America, mainly from Venezuela, Argentina and Colombia.

Bankers warn that with new issuance having subsided – and likely to remain subdued over the summer – a sudden burst of new issues flooding the market will prove hard to digest.

However, Argentina should enjoy continued access to the market through creative funding programmes, says BBV Latinvest. It has avoided problems so far by issuing in euros, lira and D-marks, which appeals to continental European investors as it helps reduce funding costs.



Telefónica in El Salvador mobile phone deal

By James Wilson in San Salvador

Telefónica, the Spanish telecoms company, has entered the Central American market by buying a mobile phone operation in the first stage of El Salvador's telecommunications privatisation.

In what it said was a stepping stone to further acquisitions in the region, a group controlled by Telefónica paid $41m for 51 per cent of Intel, a company created last year when El Salvador's state carrier, CTE-Antel, was restructured.

Its bid saw off rival offers from Telmex of Mexico and BellSouth of the US.

"We want to become the biggest telecoms operator in Central America," said Juan Rovira of Telefónica Internacional, the Telefónica subsidiary that already runs its operations in Peru, Brazil, Argentina and Chile.

Telefónica's bid was 3½ times the base price of $11.9m set for the sale, and surprised both rivals and sale promoters. Telmex, which bid $23.1m, said: "We are interested, but not at that price."

With a population in El Salvador of about 6m, the price was at least twice as high per person as comparable sales in the US, it said.

The winning bid was made through a holding company, Telefónica de Centroamérica, which is 51 per cent owned by Telefónica Internacional, with the remaining 49 per cent owned by private investors in the region.

The company expects to invest a further $40m in the next 12 months.

The remaining 49 per cent of Intel's shares are to be offered within the next three months on the Salvadorean stock market.

Telefónica will compete with Telemóvil, the existing mobile telephone operator, as well as a wireless service to be offered by CTE-Antel – which is itself being sold off by the government on Friday in the second phase of the privatisation. The base price for that sale is $527m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 17, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7793.80	4750.00	2658.45	3402.82
Albania	(Lek)	244.479	149.000	83.3297	106.741
Algeria	(Dinar)	95.9600	58.4837	32.7072	41.8958
Andorra	(French Fr)	9.8334	5.9930	3.3517	4.2933
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(Gib £)	1	0.6095	0.3409	0.4368
Greece	(Drachma)	486.661	296.600	165.879	212.479
Greenland	(Danish Krone)	11.1770	6.8119	3.8097	4.8799
Grenada	(E Carib $)	4.4302	2.7000	1.5100	1.9342
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)(4)	79.2234	48.4550	25.8808	33.2798
Panama	(Balboa)	1.6408	1	0.5593	0.7164
Papua New Guinea	(Kina)	3.6831	2.2447	1.2554	1.6081
Paraguay	(Guarani)	4602.44	2805.00	1568.70	2009.48
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MARKETS WEEK

July 20 - July 26

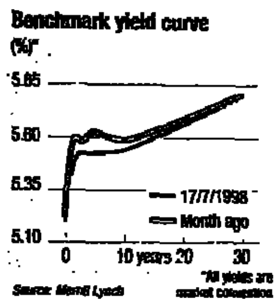
NEW YORK

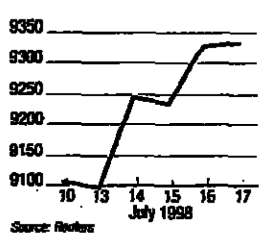
By John Authers

Alan Greenspan, chairman of the Federal Reserve, who gives his Humphrey-Hawkins testimony to Congress tomorrow and Wednesday, is likely to dominate the US markets this week. No significant economic data are expected, so corporate earnings figures for the second quarter, due from many large companies' offer the only other potential brake on the recent surge of optimism.

All the main US equity indices ended last week at all-time highs, with the Dow Jones Industrial Average rising from 9,105.74 to 9,337.97 during the week, while the S&P 500 rose from 1,164.33 to 1,186.75.

The Nasdaq composite index, heavily weighted towards large technology stocks, broke 2000 for the first time, moving from 1,943.04 to 2,008.76. Bond prices fell slightly, but also remain very high, with the 30-year Treasury yield at 5.74 per cent.





Mr Greenspan might send a warning over valuations, although most expect him to confirm the "wait-and-see" attitude to monetary tightening. However, there are so many factors affecting the US economy at present, that there is more uncertainty than usual over what he will say.

LONDON

By Philip Coggan

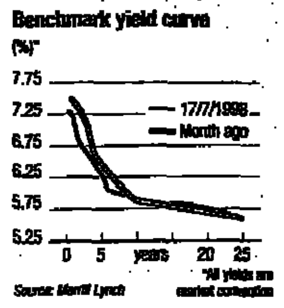
For UK investors, the key statistic of the week will be the second-quarter gross domestic product figures, which should show whether the UK economy is slowing down, as some people fear.

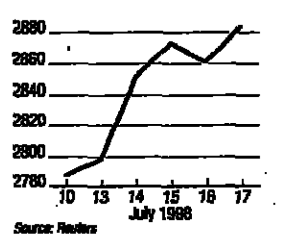
According to Standard & Poor's MMS, the quarterly growth rate is expected to be 0.5 per cent, with the annual rate dropping to 2.6 per cent from 3 per cent.

Another indication of economic activity will come from the retail sales data for June. There should be a sharp fall in the annual rate of growth because last year's windfall expenditure drops out of the comparison, and poor weather and the World Cup are believed to have kept shoppers at home. HSBC expects a monthly fall of 1.5 per cent and for the annual rate to drop to 2.2 per cent from May's 4.6 per cent.

Analysts will try to assess whether the data makes the monetary policy committee more or less likely to raise rates in August. Last week, the market appeared confused, with the pound falling but short sterling suggesting a quarter point rise might still be possible.

But economics could take a back seat to corporate news, with SmithKline Beecham, Medeva, Reuters, ICI, Legal & General and Shell reporting.





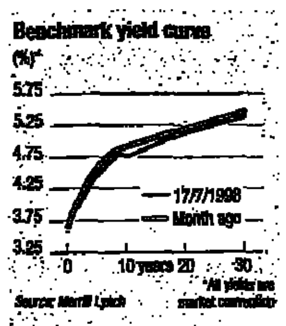
FRANKFURT

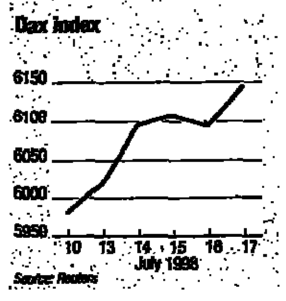
By Andrew Fisher

With Germany's Dax blue-chip index now well past 6,000 points – up 45 per cent this year – attention continues to be split mainly between events in Asia and developments nearer home. In line with Wall Street and other markets, Frankfurt responded well to signs that political change in Japan might lead to necessary reforms. But the extent of these remain in doubt until the new Japanese prime minister is chosen.

In Germany, the broadening of the economic recovery has enhanced earnings prospects. The motor industry reported rising sales and production, expecting these to continue into next year. Combined with low inflation and low interest rates, the improving outlook has attracted more funds into equities.

As the interim reporting season picks up, investors will look hard at SAP's half-year figures and 1998 forecasts today. The business software group has already said the Asian crisis affected business and confirmed that profits growth was more moderate, though still strong. On Wednesday, merging banks Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank will also reveal half-year figures.





TOKYO

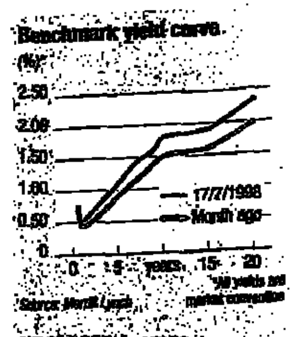
By Alexandra Harney

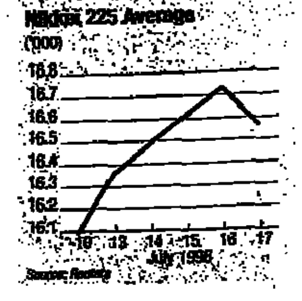
Markets will be nervously waiting for the announcement of Japan's new prime minister next week. The resignation of Ryutaro Hashimoto lifted equity markets last week, amid hopes that a successor administration would tackle Japan's economic problems more aggressively.

Much will depend on the reputation of the new head of the Liberal Democratic Party, who automatically becomes prime minister, to be elected on Friday. Among the candidates, Seiroku Kajiyama is considered the most eager to resolve the banking system's bad loan problems. The markets are likely to fall if Keizo Obuchi, the primary challenger, assumes the post.

Last week, the Nikkei 225 average rose 480.72 points, or 3 per cent, to finish at 16,570.78. Bond and foreign exchange markets were mixed. The yield on the benchmark 10-year 182 contract climbed during the week, reaching 1.45 per cent by Friday's close, which analysts said was due to expectations that economic conditions would improve under a new administration.

The yen fell as far as Y144 against the dollar directly after Mr Hashimoto's resignation but strengthened to Y138.94 on Friday.





LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	8.37	67½	63½	Adltal	63½		-	-	-	16.8
§100	F.P.	39.0	108½	103½	†Anglo Siam Oil	107½		-	-	-	-
§112	F.P.	38.9	130½	114½	Baldwin Indl Svs	130½	+5½	L3.4	5.2	3.3	7.3
§	F.P.	3.35	26½	12	Biocapita Wts	15	+2	-	-	-	-
§150	F.P.	102.8	164½	154½	Brit Regal Air	159		L1.46	0.9	1.2	57.3
§	F.P.	18.1	11½	11	†CCM Distribution	11		-	-	-	-
§100	F.P.	11.5	82	54½	†City Gourmets	55		-	-	-	-
*180	F.P.	1,958	184	165½	Coca-Cola Bev	183½	+2½	-	-	-	-
§	F.P.	284.3	2475	1887½	ECsoft	2425		-	-	-	-
-	F.P.	137.3	231½	186	Game	186	-5	L2.64	3.0	1.8	23.5
-	F.P.	33.1	147	124½	HW	124½	-½	L2.2	0.7	2.2	8.8
§126	F.P.	28.3	140	130	†Interior Servs	135		b3.15	3.0	2.9	14.2
§	F.P.	0.50	50	7½	†London Town Wts	50	+5	-	-	-	-
§	F.P.	11.3	13¼	11½	†Murray Fincl	11½		-	-	-	-
§	F.P.	29.3	210½	162½	†Policy Master	207½	+1	-	-	-	45.4
-	F.P.	54.0	157½	135½	Questica	138½		-	-	-	23.3
*-	F.P.	26.1	65½	60½	†Sodra Petroleum	64½		-	-	-	-
§	F.P.	30.7	99½	82½	†Sports & Outdoor	99½		W-	-	-	37.8
-	F.P.	13.6	145	117½	†Touchstone Grp	139		L1.0	6.9	0.9	20.1
*	F.P.	14.4	102½	92½	†Tricorder Tech	94½	-1	-	-	-	-
-	F.P.	-	35½	33½	Williams Pl B	34		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
400	Nil	31/7	88½pm	60½pm	Cox Insurance	86pm	-2
130	Nil	30/7	28½pm	19½pm	First Choice Hol	26pm	-½
40	Nil	21/7	2pm	1½pm	LEPCO	1½pm	
36	Nil	20/7	2pm	1pm	Martin Intl	1pm	
25	Nil	28/7	2pm	½pm	Oliver Grp	½pm	
50	Nil	22/7	25½pm	17½pm	Omnimedia	19½pm	

pm premium

FTSE GOLD MINES INDEX

	Jul 17	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	1005.97	-4.9	30.80	100.00	1.95	-	1636.45	891.23
■ Regional indices								
Africa (10)	1073.06	-2.8	8.74	28.31	4.34	41.46	1525.29	914.31
Australasia (7)	1168.44	+1.1	3.04	9.84	2.88	7.63	1809.85	983.83
North America (10)	955.43	-7.3	19.11	61.86	0.71	54.67	1574.16	864.86

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STOCK INDICES

	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	6174.0	6118.8	6151.5	6100.2	5958.2	6174.0	5068.8	6174.0	986.9
FTSE 250	5703.7	5697.1	5697.7	5656.1	5638.0	5988.6	4789.2	5988.6	1379.4
FTSE 250 ex IT	5743.6	5738.3	5737.4	5698.9	5684.3	6030.0	4822.5	6030.0	1378.3
FTSE 350	2965.1	2942.0	2955.7	2931.8	2874.0	2965.1	2444.7	3548.4	664.5
FTSE SmallCap	2589.4	2583.74	2581.56	2576.79	2576.62	2868.09	2320.18	2868.09	1363.79
FTSE SmallCap ex IT	2562.94	2557.39	2555.85	2554.91	2560.37	5554.10	2316.19	5554.10	1363.79
FTSE All-Share	2882.73	2861.17	2873.60	2851.39	2798.41	2882.73	2389.32	2882.73	61.92
FTSE Fledgling	1416.82	1414.65	1414.48	1412.37	1413.14	1517.11	1265.77	1517.11	31.14
FTSE Eurotop 100	3053.94	3021.01	3025.04	3002.92	2968.88	3053.94	2238.40	3053.94	2044.47
FTSE Eurotop 300	1330.33	1307.00	1311.04	1302.44	1286.00	1328.33	971.93	1328.33	874.08
FT 30	3982.2	3962.9	3981.8	3958.3	3904.8	3982.2	3236.4	3982.2	49.4
FT Govt Securities	104.70	104.86	104.96	105.25	105.23	106.77	93.31	141.84	49.18
FT Fixed Interest	143.29	143.49	144.14	144.14	143.86	146.76	115.32	146.76	50.53
FTSE Gold Mines	1005.97	1004.33	984.37	989.65	988.94	1351.97	923.63	2074.61	903.02

COMPANIES DIARY

Eyes focus on ICI's programme of change

Much attention will be focused on ICI's interims this week following controversy last month when analysts downgraded forecasts after selective briefings.

Charles Miller Smith, chief executive, ponders the group's future direction

TUESDAY

● Citicorp is expected to report solid earnings per share growth in the second quarter, as recent concerns ease over the state of its credit card business and the impact of the Asian financial crisis, analysts said.

Citicorp is expected to report earnings per share of $2.29 on a fully-diluted basis, up from $2.10 at the same time last year, and compared with $2.23 in the first quarter, according to an IBES survey of 17 analysts' forecasts.

WEDNESDAY

● AT&T, the US telecommunications group, is expected to report second-quarter earnings per share of 90-92 cents, compared with 59 cents for the same period a year ago according to analysts. AFX reports.

They added that the results would be overshadowed by the debate over the impact that AT&T's proposed $48bn merger with TeleCommunications will have on future earnings growth at the company.

The earnings figures to the end of June are expected to provide few surprises, as AT&T guided the market to a 90-92 cents per share earnings figure late last month, when it announced its deal with TCI. At that time, AT&T said it expected its second quarter figures to "exceed analysts' estimates of 80-82 cents per share by 8-10 cents".

● Banco Central Hispanoamericano will on Wednesday report first-half net profits after minorities of Pta31.7bn-Pta33.1bn ($205m-$214m), up from Pta25.03bn a year earlier, according to analysts' estimates.

Caja Madrid Bolsa analyst Javier Bernat said earnings would be fuelled by rising profits from the group's Latin American operations, largely in Chile, but added that the contribution would be less than in the case of competitors BancoBilbao Vizcaya and Banco Santander.

THURSDAY

● Analysts are expecting second quarter pre-tax profits of about £115m ($189m) – up from £87m before exceptionals in the traditionally weaker first three months of the year – when Imperial Chemical Industries reports interims.

Currency is expected to have had an impact across the group and the market will be looking for news of progress on disposals in industrial chemicals, the rump of the old ICI. Paints and materials, meanwhile, are expected to have been dented by the Asian slowdown and, in the case of the former, by a price war in the US.

● Banco Bilbao Vizcaya, the Spanish bank, will on Thursday report first-half net profits after minorities of Pta73.8bn-Pta75.6bn, up from Pta58.01bn a year earlier, according to analysts' estimates. Analysts expect the results to rise in line with expectations, mainly because of the contribution of the bank's Latin American operations.They also said the company's cost reduction plan will help increase the efficiency rate over the coming years.

● Philips, the Dutch consumer electronics group, will report second-quarter net profit from ordinary activities of Fl 772m-Fl 1bn ($386m-$500m), or Fl 2.50 -Fl 2.84 per share, compared with Fl 693m, or Fl 1.99 per share for the same period last year, according to analysts' forecasts.

Analysts noted that a sharp decline in Philips' Asian sales is likely to be partially offset by stronger European sales.

Corneille Couwenberg, of ABN Amro, who is forecasting second-quarter net profits before exceptionals of Fl 772m, and EPS of Fl 2.50, sees a slowdown in profit growth, mainly as a result of the Asian crisis but also because of weak results at PolyGram, the music and film business.

He expects Philips to release first-half net profit of Fl 1.49bn and earnings of Fl 4.15, with a weaker profit growth in the second quarter than in the first.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Countrywide Corp Ltd(b)‡	200	Jul 2003	(b1)	99.89R	-	-	Warburg Dillon Read
ICI Co-ordination Centre‡	200	Feb 2000	(c)	100.05	-	-	Deutsche Bank
Colonial Finance(d)‡	150	Jul 2005	(d1)	99.771R	-	-	JP Morgan Securities
DePfa Bank Europe‡	500	Jul 1999	(e)	100.0327	-	-	CSFB
Lehman Brothers Holdings	250	Aug 2003	(f)	99.783R	-	-	Lehman Brothers Intl
Brunner Mond Grp plc(f)★	125	Jul 2008	11.00§	100.00	11.00	+555(5⅝May08)	Chase Securities
Prudential Ins Co of America	1bn	Jul 2006	6⅝(g)	99.558	6.446	+86(7%Jul06)	Goldman Sachs & Co
Bank of Scotland Treasury‡	400	Aug 2000	(i)	100.00	-	-	Barclays Capital
Bank of Scotland Treasury‡	350	Aug 2001	(j)	100.055	-	-	Barclays Capital
FUSA, 98-4, Cls A(y)★‡	700	Jul 2005	(b1)	100.00	-	-	Salomon Smith Barney
European Inv'ment Bank(z)	250	Feb 2005	5.625	99.3063	5.748	+21(5⅝Jan05)	Salomon Smith Barney
Nestlé Holdings	250	Aug 2003	5.625	99.686R	5.704	+15(5⅝Jul03)	Warburg Dillon Read
GMAC Australia	200	Aug 2001	6.00	99.87R	6.049	+50(5⅝May01)	ABN Amro/TMI
Kingdom of Spain	1.5bn	Jul 2008	5.875	99.356R	5.962	+39½(May08)	ABN Amro/Salomon SB
Orange plc	545	Aug 2008	8(R)	99.238R	8.112	+282½(May08)	Goldman Sachs Intl
Turkcell(E)	300	Aug 2005	15(8)	100.00R	15.00	-	BT Alex Brown
Akbank Rec Tst, 1998-1(F)‡	250	Jul 2005	(F1.a)	100.00	-	-	CSFB
Crédit Local de France	60	Sep 2001	6.00	101.81	5.331	-	BIL
D-MARKS							
Westdeutsche LB(p)	2bn	Sep 2007	4.75	99.36R	4.83	+15½(6Jul07)	(f)
Dresdner Finance‡	2bn	Jul 2003	(l)	100.08R	-	-	Dresdner KB
DePfa Bank(p)	5bn	Jul 2008	4.75(s)	98.49R	4.95	+26(4¾Jul08)	Commerzbank/Goldman
Dusso Stadtwerke(u)§	417.92	Aug 2003	2.50	100.00	-	-	Goldman Sachs & Co
Oest Kommunalkredit	100	Jul 2013	5.25	99.663R	5.283	+35(l)	DG Bank
Gallaher Group plc	500	Aug 2008	5.875	99.542R	5.937	+125(4¾Jul08)	Goldman/HSBC
Unibank‡	300	Aug 2000	(A)	100.043	-	-	Barclays Capital
STERLING							
Hypothekenbank in Essen‡	125	Jul 2000	(k)	99.95R	-	-	Merrill Lynch Intl
CCMT, Cls A, Series 98-2(k)	250	Aug 1999	7⅝(l)	99.865	7.769	+40(6%Aug99)	Barclays Capital
CCMT, Cls A, Series 98-3(k)	250	Aug 2001	7.25(l)	99.888R	7.364	+60(7%Nov01)	Barclays Capital
Associated British Ports	120	Aug 2008	6.625§	99.409R	6.707	+83(9%Nov08)	Barclays Capital
Brunner Mond Grp plc(f)★	50	Jul 2008	12.50§	100.00	12.50	+865(9%Nov08)	Chase Securities
Orange plc	200	Aug 2008	8⅝(R)	99.37R	8.720	+287½(9Oct08)	Goldman Sachs Intl
FRENCH FRANCS							
Bank of Nova Scotia‡	1bn	Jul 2000	(B)	100.19		-	Merrill Lynch Finance
YEN							
Pepsico Inc★	30bn	Aug 1999	4.10(s)	100.00	-	-	Daiwa Europe
ITALIAN LIRE							
Banca Popolare di Lodi(R)§	300bn	Jul 2003	4.375	100.00	-	-	ABN Amro Rothschild
European Inv Bank(m)‡	150bn	Aug 2018	(m1)	101.375	-	-	Morgan Stanley DW
Hebdo	150bn	Aug 2003	4.50	99.83R	4.538	-	[illegible]
World Bank(w)‡	150bn	Aug 2013	(w1)	101.10	-	-	Credito/Lehman Bros
BGB Finance(Ireland)(G)‡	100bn	Aug 2013	(G1)	99.70R	-	-	Sanwa International
GUILDERS							
L-Bank	250	Aug 2002	4.25	99.583R	4.366	+48(3¼%Jan02)	ING Barings
GECC	200	Aug 2002	4.25(h)	99.526R	4.377	+1(5¾%Sep02)	ING Barings
SWISS FRANCS							
L-Bank	150	Aug 2002	2.75	101.25	2.418	-	ABN Amro Bank(Zurich)
LW Rentenbank	100	Sep 2003	3.00	101.60	2.656	-	Banca del Gottardo
Prov of British Columbia(C)	200	Jun 2004	3.00	101.15	2.784	-	Warburg Dillon Read
Dresdner Finance(D)	190	Aug 2008	3.625	108.95	3.511	-	CSFB
ECU/EUROS(e)							
Interbanca‡	200	Jul 2003	(g)	99.89R	-	-	ABN Amro/Paribas
LB Rheinland-Pfalz★	59	Jul 2002	4.00(h)£	100.00	4.00	-	IBJ Intl/Wako Intl
Republic of Argentina	500	Jul 2010	8.50	99.927R	8.510	+360(l)	Warburg Dillon Read
BNG(n)	500	Apr 2005	5.00	102.009R	4.649	+5(7½Apr05)	Nomura/Warburg DR
Dollinfo(t)‡	300	Jan 2004	(n1)	100.00R	-	-	Paribas
Paribas	600	Aug 2008	5.625	99.678R	5.668	+81(l)	Paribas
Republic of Cyprus	350	Jul 2008	5.375	99.901R	5.388	+52(Apr08)	ABN Amro/HSBC Mkts
Valencia	380	Jul 2005	4.75	99.69R	4.805	+39(7½Apr05)	Deutsche Bank
Orange plc	100	Aug 2008	7⅝(R)	99.721R	7.665	+287½(Apr08)	Goldman Sachs Intl
CANADIAN DOLLARS							
Kingdom of Denmark	100	Aug 2003	5.25	99.75R	5.308	+3(Sep03)	CIBC Wood Gundy
NEW ZEALAND DOLLARS							
Bayerische Vereinsbank	100	Aug 2000	8.00(l)	101.12	7.377	-	RBC DS Global Markets
LUXEMBOURG FRANCS							
Bayerische Vereinsbank	2bn	Sep 2008	5.375	102.80	5.012	-	BGL/BIL
Cregem International Bank	2bn	May 2004	4⅝(s)	102.40	4.15	-	BIL
GREEK DRACHMA							
Kingdom of Denmark	10bn	Jul 2001	8.50	98.95R	8.520	-	B Stearns/NMB Greece
L-Bank	10bn	Jul 2001	9.00	100.88R	8.968	-	Alpha Credit/CSFB
EBRD	10bn	Jul 2001	8.50	99.90R	8.539	-	Morgan Stanley DW
NORWEGIAN KRONER							
Nordic Investment Bank	425	Aug 2005	5.50	101.80	5.221	-	Unibank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. ‖Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: L26,400. Callable after 3 yrs at par. b) Callable from 30/7/01 at par. b1) 3-mth Libor +12½bp. c) 3-mth Libor +12½bp. d) Callable from Jul 02 at par. d1) 3-mth Libor +45bp. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Joint book-runners: BayerLB, BayerVB, CDC, Commerzbank, Deutsche, DG, DGZ, LB Rheinland-Pfalz, SachsenLB and WestLB. g) 3-mth Libor +18¼bp. h) Long last coupon. i) Over interpolated yield. j) 3-mth Libor +⅛%. k) 3-mth Libor -5bp. l) Long 1st coupon. m) Callable on 3/8/05 at par. m1) 10% in yr 1, 6% in yrs 2-7, then 18% - 2 x 12-mth Libor. n) Fungible with £750m. Plus 88 days accrued. o) Secured on portfolio of consumer loans originated by Findomestic SPA. Av life: 5.13 yrs. o1) 3-mth Libor +17bp. o2) Class B: £11m, 5.5 yrs, 3-mth Libor +40bp. p) Oeffentliche Pfandbrief. q) 3-mth Libor -8¼bp. r) 3-mth Libor +30bp. s) Short 1st coupon. t) Callable from 15/7/03 at par + half coupon, falling ratably to par. Equity clawback. u) Exchangeable into ord bearer shares of RWE AG at DM134.9450. Callable after 2 yrs with 3 yr of 125% protection. Greenshoe: DM73m. v) Capital One Master Trust. w) Callable on 19/8/04 & 09 at par. w1) 11% in yr 1, 6½% in yr 2, 6¼% in yr 3, 6% or reverse coupon in yrs 4-5, then 15% - 2 x 12-mth Libor. x) 3-mth Libor flat. y) First USA Credit Card Master Trust. Legal maturity: Mar 06. y1) 1-mth Libor +12bp. z) Fungible with $750m. Plus 176 days accrued. A) 3-mth Libor flat. B) 3-mth Pibor +1bp. C) Fungible with SFr300m. Plus 48 days accrued. D) SFr300m launched 2/7/98 was increased to SFr400m. E) Equity clawback. F) Originator: Akbank. Secured on credit card receivables. F1) 3-mth Libor +250bp. G) Callable on 28/8/03 & 08 at par. G1) 12¼% in yr 1, 6% in yrs 2-5, then 15% - 2 x 12-mth Libor. Note: Yields are calculated on ISMA basis.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Airflow Streamlines 6p
Asset Mngmnt Fdg 1p
Banco Real 7⅝% Nts 2000 $393.75
Do 8⅛% Nts 2001 $406.25
Bett Brothers 2.05p
Bradford & Bingley Bldg Scty 11⅝% Perm Int Brg £581.25
British Steel 11½% Db 2016 £5.75
Chesterfield Properties 9p
Dewhurst Dent 7% Un Ln 1990/2000 £3.50
Fountain Forestry 0.95p
Incepta 0.35p
Japan Airlines 6% Bd 1999 Y600000.0
Lloyds TSB Sb FRN 2006 £19.45
London & Assoc Properties 0.9p
M & G Income Inv Tst 1.15p
Do Geared Units 1.15p
Do Package Units 1.15p
NT & T 9% Nts 1999 $900.0
Northumbrian Fine Foods 0.2p
Revelation Piccadilly 0.2p
UK 6¾% Bd 2001 $67.50

■ TOMORROW
Basque Country 3¼% Bd 2005 Y32500.0
Cadcentre 2.4p
Creative Publishing 5.75p
Denby 1.7p
Hiscox 2.2p
Mid Kent Hldgs 19.8p
Mitsui (Europe) Fxd/FRN 1999 Y261147.0
Tokyo Gas 5½% Nts 1998 $275.0
Yokohama 6½% Gtd Bd 2005 $65.0

■ WEDNESDAY JULY 22
Canary Wharf Fin Class D FR 1st Mtg Db 2020 £107.21
Exchequer 12% 1999/2002 £6.0
F & C Private Equity Tst 2p
First Ireland Inv 3.2p
German Smaller Co's Inv Tst 0.6p
Helphire 0.8p
Japan Airlines 5½% Bd Jul 2003 Y550000.0
Do 6⅝% Bd 2003 $66.25
Kyushu Electric Power 6⅜% Bd 2003 $318.75
MEPC 4p
National Australia Bank A$0.49
Perpetual Inc & Grwth Inv Tst 2.05p
Sweden 13½% *Ln 2010* £67.50
Tokyo Tatemono 4.9% Bd 1998 Y490000.0
Toyota Motor 6¼% Bd 2002 $62.50
Treasury 11¾% 2003/07 £5.875
York Waterworks 9.3p
Do A 9.3p

■ THURSDAY JULY 23
African Dev Bank 11¼% Bd 2001 £562.50
Ashquay 0.2p
Fleming Continental European Inv Tst 2.8p
Golden Castle Euro-Finance Gtd Asset-Bckd FRN 2004 $149.83
Greenway 1.5p
Hitachi Credit (UK) 3.85p
Invesco English & Int Tst 0.8p
Mid-States 0.24p
Plysu 6.2p
Watermark 0.88p
YTB Fin (Aruba) Gtd Sb FRN 2003 $1589.34
Young & Co's Brewery A 8.3p
Do N/Vtg 8.3p

■ FRIDAY JULY 24
Airsprung Furniture 5.41p
Allied Domecq 9.73p
Anglo American Corp of South Africa R5.65
Apollo Metals 1.6p
Arcadia 4.7p
Bestfoods $0.225
Brown (N) 5.25p
Clyde Blowers 2.67p
Cosalt 4.5p
Crown Leisure 0.75p
Dee Valley 13.2p
Do N/Vtg 13.2p
Grainger Tst 1.75p
Hazlewood Foods 7½% Cm Ptg Pf 4.375p
Highlands & Lowlands M$0.135
London Scottish Bank 1.07p
McDonalds 6¾% Bd 2006 FFr675.0
Osborne & Little 34p
Pillar Property 4p
Ptarmigan Int Cap Tst 2.2p
River & Mercantile First UK Inv Tst 0.4p
SBS 1p
Sainsbury (J) 10.15p
Sears 2.9p
3i 6.4p
Time Products 7.6p
United Utilities 11⅝% Bd 2001 £116250.0
Victrex 1.65p

■ SATURDAY JULY 25
Debenhams Retail 7¼% Un Ln 2002/07 £3.625
Do 7¾% Un Ln 2002/07 £3.875
Housing Securities 8⅝% Db 2019 £4.1875
Salford 7% Ln 2019 £3.50
Treasury 13¾% 2000/03 £6.875

■ SUNDAY JULY 26
Treasury 2½% IL 2016 £2.4441
Treasury 7¾% Ln 2012/15 £3.875

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Greenway, 117, The Headrow, Leeds, 11.00
Renaissance US Growth & Inc Tst, Kempson House, Camomile Street, E.C., 12.00
WT Foods, Chamber of Shipping, Carthusian Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Industrial Control
US Smaller Co's Inv Tst
Interim:
Trust of Property Shares

■ TOMORROW
COMPANY MEETINGS:
Young & Co's Brewery, Wandsworth Town Hall, Wandsworth High Street, S.W., 11.30
BOARD MEETINGS:
Finals:
Aston Villa
Barbour Index
Copyright Promotions
Faryewood
MITIE
Oglesby & Butler
Interims:
St. Modwen Properties
Temple Bar Inv Tst

■ WEDNESDAY JULY 22
COMPANY MEETINGS:
Anglian Water, The Performing Arts Centre, Hinchingbrooke School, Huntingdon, 11.00
Chloride, Royal Aeronautical Society, 4, Hamilton Place, W., 11.00
Coats Viyella, Four Seasons Hotel, Hamilton Place, W., 11.00
Dee Valley, Llyndir Hall Hotel, *Llyndir Lane, Rossett,* Wrexham, 3.00
Fulcrum Inv Tst, Middlethorpe Hall, Bishopthorpe Road, York, 10.30
Osborne & Little, 49, Temperley Road, S.W., 11.00
Scottish Power, Edinburgh Festival Theatre, 11-29, Nicolson Street, Edinburgh, 11.00
Volex, Copthorne Hotel, Salford Quays, Manchester, 11.30
BOARD MEETINGS:
Finals:
Martin Currie Moorgate Inv Tst
Stanley Leisure
Uno
WF Electrical,
Interims:
Allied Textile
Reuters

■ THURSDAY JULY 23
COMPANY MEETINGS:
Boots, Queen Elizabeth II Confernce Centre, Broad Sanctuary, S.W., 11.00
Brockhampton, Brockhampton Springs, West Street, Havant, 12.30
Meyer Int, *Le Meridien* Waldorf Hotel, Aldwych, W.C., 12.00
Proteus Int, New Broad Street House, 35, New Broad Street, E.C., 12.00
Renold, Renold House, Styal Road, Wythenshawe, Manchester, 2.30
Shanks & McEwan, Glasgow Hilton, 1, William Street, Glasgow, 11.00
Tex Hldgs, 49, Glebe Place, S.W., 12.00
Wamford Invs, Institute of Chartered Accountants, Moorgate Place, E.C., 12.00
BOARD MEETINGS:
Final:
Jones Stroud
Interims:
ICI
Legal & General
Northern Rock

■ FRIDAY JULY 24
COMPANY MEETINGS:
Electrocomponents, Lainsborough Hotel, Hyde Park Corner, S.W., 12.00
Southern Electric, De Vere Regal Bath Hotel, Bournemouth, 12.00
United Utilities,
BOARD MEETINGS:
Final:
Martin Currie Japan
Interim:
Total Office

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES AND COURSES

CONFERENCES

JULY 30
DEFENCE: The Strategic Defence Review :
Part 1 of this conference was held as a highly successful strategy round table in April.
Part 2 looks at the implications for the defence industries of the Review itself as well as at its consequences for the armed forces and British Defence and foreign policy. Some 10 place remain available. Sponsored by EDS, GEC-Marconi, PricewaterhouseCoopers. Devised by Lord Chalfont and Paul Beaver.
Contact: Cityforum Ltd
Tel: 01225 466744 Fax: 01225 442903
LONDON

SEPTEMBER 1 - 4
Japan and Europe
Topics: implications of Japan's economic crisis, reforming Japan's financial sector, market access, promoting joint ventures, inward investment, and implications of EMU. Interactive international conference with 50 well-informed participants from business and government.
Contact: Fran Martin, Wilton Park, Wiston House, Steyning, West Sussex BN44 3DZ, England
Telephone: +44 1903 817777
Fax: +44 1903 815931
Email: frances.martin@wiltonpark.org.uk
Near LONDON

SEPTEMBER 8 - 10
Second Pan-African Investment Summit
PRIVATISATION IN PRACTICE
"The Restructuring of State owned Enterprises in Africa into the next Millenium"
Johannesburg Tel: +27 11 807 0948
Fax: +27 11 807 0919
Email goldcity@iafrica.com
For bookings and more information contact Business in Africa Conferences London Tel: +44 171 495 7969
Fax: +44 171 495 7966
Email Businessinafrica@compuserve.com
Johannesburg, SOUTH AFRICA

September 15-16
Intelcom 98 - The Wireless Economy
The Wireless Economy Conference and Exhibition uniquely for the first time represents the totality of the exploding European mobile and wireless communications industry. Supported by 18 key associations, hear 100 CEOs and VPs unveil their future visions for the multi-billion cellular, mobile data and internet, mobile satellite, paging, trunked radio, mobile e-commerce, wireless access, network management, and broadband multimedia content sectors.
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Fax: +44 1717 957 0031
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Intelcom98
Earls Court, London

SEPTEMBER 15 & 16
The 2nd FT World Water Conference
Confirmed speakers include *Mr W J Alexander, Thames Water plc; Mr Preben Nielsen, Asian Development Bank; Mr Jan Prins, ABN AMRO Bank NV and Dr Leon Awerbuch, Overseas Bechtel.*
Contact: Sarah Gibb, FT Conferences
Tel: (+44) 171 873 3450
Fax: (+44) 171 873 3067
Email: sarah.gibb@ft.com
LONDON

International Real Estate Finance Conference "Creating a New Synergy: Global Partnerships in Real Estate Finance"
Sponsored by the Mortgage Bankers Association of America (MBA). The only international real estate finance conference devoted to mortgage finance professionals from dozens of nations. Sessions cover recent developments in the residential and commercial sectors in emerging markets. Topics include multilateral activity, government policy perspective, secondary systems, international low income housing, innovative technology and trade barriers.
For further information contact MBA International Division
Tel: 202 861 6580
Fax: 202 861 0736
Email: international@mbaa.org
Mortgage Bankers Association of America
Maui, Hawaii, USA

OCTOBER 5 - 8
Economic and Monetary Union
Topics: exchange rates; the Stability Pact; EMU's implications for business, banking, the 'outs', employment, regions, and public opinion. Interactive international conference with senior speakers and 50 well-informed participants from business and government.
Contact: Heather Ingrey, Wilton Park, Wiston House, Steyning, West Sussex BN44 3DZ, England
Telephone: +44 (0) 1903 817764
Fax: +44 (0)1903 814217
Email: heather.ingrey@wiltonpark.org.uk
Near LONDON

OCTOBER 14 & 15
FT World Mobile Communications Conference
This annual FT conference has once again attracted an international audience of senior executives from the mobile industry. Speakers include: *Mr Hans Snook, Orange plc; Dr Jung-Uck Seo, SK Telecom.*
Contact: Sian Fancourt
Tel: 0171 873 3262
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LANGUAGE COURSES

Succession issue to influence yen

By Simon Kuper

By Friday, we should know who will be the next prime minister of Japan. The vote that day is to elect the president of the ruling Liberal Democratic Party, but whoever wins is likely to be confirmed as prime minister by the Diet later this month.

The yen, stable for weeks, should continue to react mainly to the political news from Japan.

The market, having initially tried to draw subtle distinctions between the candidates to rule Japan, seems to have moved to the view that whoever becomes prime minister will reform drastically.

Ryutaro Hashimoto, the outgoing premier, is seen to have suffered for not reforming enough.

Both the main candidates to succeed him, Seiroku Kajiyama and Keizo Obuchi, have made various promises of change. If either appears on track to take over from Mr Hashimoto on schedule, the yen should benefit.

However, until there is more definite news, the currency may struggle to move far from Y140 to the dollar.

With almost no US economic data due out, the other significant event of the week should be Alan Greenspan's semi-annual Humphrey-Hawkins testimony to the Senate banking committee tomorrow.

The chairman of the Federal Reserve is almost always canny and even-handed, but this time he is liable to reflect the Fed's bias to raise rates. That could shake up markets.

On Thursday the Bundesbank council meets for the last time before the summer recess. It is expected to go on holiday with unchanged interest rates.

POUND SPOT FORWARD AGAINST THE POUND

Jul 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	20.6405	-0.0027	307 - 502	20.6645	20.5875	20.5596	4.1	20.4187	4.3	19.8527	3.8	103.3
Belgium	(BFr)	60.5456	+0.0254	189 - 722	60.6740	60.3410	60.3445	4.0	59.9179	4.1	58.2519	3.8	102.7
Denmark	(DKr)	11.1770	-0.0022	719 - 820	11.1931	11.1487	11.1434	3.6	11.0705	3.8	10.7796	3.6	105.3
Finland	(FM)	8.9184	-0.0015	111 - 257	8.9260	8.8850	8.8881	4.1	8.8262	4.1	8.5808	3.8	81.2
France	(FFr)	9.8334	+0.0017	279 - 388	9.8511	9.8128	9.7991	4.2	9.728	4.3	9.455	3.8	108.1
Germany	(DM)	2.9338	-0.0005	325 - 351	2.9382	2.9255	2.9236	4.2	2.9023	4.3	2.8208	3.9	104.3
Greece	(Dr)	486.661	-1.831	365 - 957	489.568	485.053	488.831	-5.4	492.936	-5.2	503.936	-3.6	62.5
Ireland	(I£)	1.1669	-0.0001	661 - 677	1.1678	1.1646	1.1657	1.3	1.1624	1.5	1.1348	2.8	94.5
Italy	(L)	2892.36	-0.93	062 - 410	2900.26	2888.04	2886.76	2.3	2872.05	2.7	2797.97	3.3	76.1
Luxembourg	(LFr)	60.5456	+0.0254	189 - 722	60.6740	60.3410	60.3445	4.0	59.9179	4.1	58.2519	3.8	102.7
Netherlands	(Fl)	3.3073	-0.0001	058 - 087	3.3139	3.2980	3.2957	4.2	3.2715	4.3	3.1791	3.9	102.0
Norway	(NKr)	12.3695	-0.0312	616 - 774	12.4149	12.3602	12.3384	3.0	12.2761	3.0	12.0462	2.6	96.3
Portugal	(Es)	300.168	+0.138	995 - 342	301.100	299.684	299.339	3.3	297.485	3.6	289.332	3.5	92.0
Spain	(Pta)	249.172	+0.196	063 - 281	249.420	248.470	248.488	3.3	247.087	3.4	240.389	3.5	77.0
Sweden	(SKr)	13.0119	-0.026	997 - 240	13.0374	12.9900	12.9754	3.4	12.8967	3.5	12.5665	3.4	85.0
Switzerland	(SFr)	2.4739	+0.0093	723 - 754	2.4776	2.4646	2.4623	5.6	2.4377	5.6	2.338	5.5	104.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.6
Ecu	-	1.4854	-	844 - 863	1.4873	1.4824	1.4811	3.5	1.472	3.6	1.4327	3.5	-
SDR†	-	1.226290	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6400	+0.0028	395 - 405	1.6453	1.6376	-	-	-	-	-	-	-
Brazil	(R$)	1.9063	+0.0037	055 - 070	1.9112	1.9033	-	-	-	-	-	-	-
Canada	(C$)	2.4420	+0.0059	406 - 431	2.4496	2.4379	2.4365	2.7	2.4256	2.7	2.3637	2.4	79.7
Mexico	(New Peso)	14.4628	-0.0087	527 - 730	14.5142	14.4513	14.6474	-15.3	15.0252	-15.6	16.7696	-15.9	-
USA	($)	1.6408	+0.0033	403 - 413	1.6456	1.6384	1.6381	1.9	1.6322	2.1	1.6081	2.0	112.6
Pacific/Middle East/Africa													
Australia	(A$)	2.6159	+0.0198	148 - 177	2.6185	2.5893	2.6113	2.1	2.6008	2.3	2.5575	2.2	84.5
Hong Kong	(HK$)	12.7137	+0.0259	090 - 184	12.7504	12.6960	12.7291	-1.5	12.7752	-1.9	13.204	-3.8	-
India	(Rs)	69.7751	+0.0852	128 - 373	69.9710	69.6760	-	-	-	-	-	-	-
Israel	(Shk)	5.9901	+0.0145	825 - 976	5.9990	5.9718	-	-	-	-	-	-	-
Japan	(Y)	229.039	+0.189	888 - 191	229.840	227.450	227.634	7.3	224.729	7.5	212.584	7.2	111.1
Malaysia	(M$)	6.7433	+0.0707	334 - 531	6.7560	6.6697	6.7912	-8.5	6.9417	-11.8	7.4385	-10.3	-
New Zealand	(NZ$)	3.1079	+0.0046	049 - 109	3.1140	3.0856	3.1117	-1.5	3.1165	-1.1	3.1322	-0.8	95.7
Philippines	(Peso)	68.2574	-0.1062	725 - 422	68.5219	67.9824	68.6947	-7.7	69.7234	-8.6	74.7121	-9.5	-
Saudi Arabia	(SR)	6.1543	+0.0126	521 - 564	6.1696	6.1455	6.1475	1.3	6.1314	1.5	6.0619	1.5	-
Singapore	(S$)	2.7992	+0.0517	967 - 017	2.8050	2.7690	2.8002	-0.4	2.7999	-0.1	2.8082	-0.3	-
South Africa	(R)	10.5011	+0.3662	815 - 207	10.5380	10.1265	10.5116	-12.6	10.7386	-9.0	11.1404	-6.1	-
South Korea	(Won)	2105.97	+4.3	122 - 071	2115.01	2098.98	-	-	-	-	-	-	-
Taiwan	(T$)	56.2344	-0.0317	049 - 638	56.3865	56.1644	56.4515	-4.6	56.7193	-3.4	57.2316	-1.8	-
Thailand	(Bt)	66.9037	+0.6279	602 - 471	67.4450	64.4210	67.8772	-17.5	70.2008	-19.7	77.4888	-15.8	-

† Rates for Jul 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5795	-0.0274	774 - 816	12.6010	12.5418	12.5575	2.1	12.5145	2.1	12.3325	1.8	102.9
Belgium	(BFr)	36.9000	-0.08	950 - 050	37.0300	36.8080	36.84	2.0	36.7145	2.0	36.23	1.8	102.9
Denmark	(DKr)	6.8119	-0.0153	109 - 129	6.8253	6.7925	6.808	1.6	6.7839	1.6	6.7045	1.8	104.8
Finland	(FM)	5.4354	-0.0121	328 - 382	5.4437	5.4225	5.428	2.1	5.4082	2.0	5.3390	1.6	80.9
France	(FFr)	5.9930	-0.0113	915 - 945	6.0030	5.9705	5.9823	2.1	5.9611	2.1	5.8804	1.9	105.8
Germany	(DM)	1.7881	-0.0039	878 - 883	1.7913	1.7834	1.7849	2.1	1.7786	2.1	1.7546	1.9	104.0
Greece	(Dr)	296.600	-1.725	510 - 690	298.590	295.180	298.3	-6.9	301.75	-6.9	313.15	-5.8	62.3
Ireland	(I£)	1.4061	+0.003	058 - 066	1.4087	1.4038	1.4052	0.7	1.4042	0.5	1.4168	-0.8	-
Italy	(L)	1762.78	-4.17	225 - 330	1766.20	1758.60	1762.06	0.5	1760.03	0.6	1739.73	1.3	78.8
Luxembourg	(LFr)	36.9000	-0.08	950 - 050	37.0300	36.8080	36.84	2.0	36.7145	2.0	36.23	1.8	102.9
Netherlands	(Fl)	2.0157	-0.0042	154 - 159	2.0195	2.0104	2.012	2.2	2.0047	2.2	1.9772	1.9	101.9
Norway	(NKr)	7.5387	-0.0345	362 - 412	7.5860	7.5319	7.5324	1.0	7.5224	0.8	7.4944	0.6	95.5
Portugal	(Es)	182.940	-0.29	888 - 990	183.430	182.820	182.75	1.2	182.299	1.4	180.92	1.8	92.7
Spain	(Pta)	151.860	-0.18	840 - 880	151.840	151.300	151.697	1.3	151.36	1.3	149.485	1.6	78.8
Sweden	(SKr)	7.9302	-0.0321	232 - 362	7.9507	7.9141	7.9207	1.4	7.901	1.5	7.8147	1.5	84.3
Switzerland	(SFr)	1.5077	+0.0026	072 - 082	1.5108	1.5025	1.5063	3.5	1.4944	3.5	1.4560	3.4	104.3
UK	(£)	1.6408	+0.0033	403 - 413	1.6456	1.6384	1.6392	1.8	1.6324	2.0	1.6081	2.0	104.5
Ecu	-	1.1047	+0.0023	043 - 050	1.1072	1.1030	1.1061	-1.6	1.1088	-1.6	1.1223	-1.8	-
SDR†	-	0.74970	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	995 - 996	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.1618	-0.0001	617 - 619	1.1617	1.1612	-	-	-	-	-	-	-
Canada	(C$)	1.4883	+0.0005	880 - 885	1.4916	1.4871	1.4873	0.8	1.4858	0.7	1.4815	0.5	78.8
Mexico	(New Peso)	8.8145	-0.024	110 - 180	8.8200	8.8100	8.9395	-16.6	9.2145	-18.2	10.4245	-18.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	113.7
Pacific/Middle East/Africa													
Australia	(A$)	1.5943	+0.0089	938 - 949	1.5982	1.5790	1.5935	0.6	1.5900	0.9	1.5802	0.9	85.1
Hong Kong	(HK$)	7.7485	-	480 - 490	7.7485	7.7480	7.7705	-3.4	7.8265	-4.1	8.2185	-6.1	-
India	(Rs)	42.5250	-0.095	000 - 500	42.5600	42.4800	42.955	-12.1	43.775	-11.8	47.02	-10.6	-
Israel	(Shk)	3.5807	+0.0014	472 - 542	3.6494	3.5400	-	-	-	-	-	-	-
Japan	(Y)	139.590	-0.17	540 - 640	140.220	138.650	138.96	5.4	137.715	5.4	132.325	5.2	112.0
Malaysia	(M$)	4.1096	+0.0348	050 - 145	4.1100	4.0801	4.1428	-9.6	4.2298	-11.7	4.5648	-11.1	-
New Zealand	(NZ$)	1.8941	-0.0011	929 - 954	1.8965	1.8822	1.8972	-2.0	1.9026	-1.8	1.9214	-1.4	-
Philippines	(Peso)	41.6000	-0.15	000 - 000	41.7000	41.5000	41.919	-9.2	42.7205	-10.8	46.397	-11.5	-
Saudi Arabia	(SR)	3.7508	-	505 - 509	3.7509	3.7500	3.7525	-0.6	3.7563	-0.6	3.7718	-0.6	-
Singapore	(S$)	1.7060	+0.0281	050 - 070	1.7065	1.6890	1.7092	-2.3	1.718	-2.5	1.7472	-2.4	-
South Africa	(R)	8.4000	+0.21	900 - 100	8.4050	8.1800	8.4738	-13.8	8.5875	-11.7	8.9113	-8.8	-
South Korea	(Won)	1283.50	-	100 - 600	-	-	-	-	-	-	-	-	-
Taiwan	(T$)	34.2725	-0.0895	650 - 800	34.3300	34.2800	34.4325	-5.8	34.6975	-5.0	35.5975	-3.9	-
Thailand	(Bt)	40.7750	+0.3	000 - 500	41.4000	39.3000	41.375	-17.7	42.775	-19.6	47.575	-16.7	-

† SDR rate per $ for Jul 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 16. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Jul 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3⅝	3⅝	3⅝	3⅝	6.00	2.75	-
France	3½	3⅝	3⅝	3⅝	3¾	4.60	-	3.30
Germany	3⅛	3½	3⅝	3⅝	3⅝	4.50	2.50	3.30
Ireland	6⅛	6¼	6⅛	5¾	4⅞	-	-	6.75
Italy	5	4⅝	4⅝	4⅝	4½	6.50	5.00	4.93
Netherlands	2⅞	3⅛	3⅜	3½	3⅜	-	2.75	3.30
Switzerland	1⅛	2⅛	2⅛	2⅛	2⅛	-	1.00	-
US	5½	5⅝	5⅝	5⅝	5¾	-	5.00	-
Japan	½	⅝	⅝	⅝	⅝	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5⅝	5¾	5⅝	-	-	-
US Dollar CDs	-	5.43	5.46	5.50	5.56	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	3⅞	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅝ - 3¾	3⅞ - 3⅝
Danish Krone	4 - 3⅞	4⅛ - 4	4⅛ - 4	4⅛ - 4	4⅛ - 4⅛	4¼ - 4⅛
German Mark	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾
Dutch Guilder	2¾ - 2⅝	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3⅛	3⅝ - 3½
French Franc	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3¾ - 3⅝	3⅞ - 3¾
Portuguese Esc.	4¼ - 4⅛	4⅜ - 4¼	4⅝ - 4½	4⅝ - 4½	4¼ - 4⅛	4⅛ - 4⅛
Spanish Peseta	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅛ - 4⅛	4⅛ - 4
Sterling	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅞ - 7¾	7⅝ - 7½	7⅞ - 7¾
Swiss Franc	2¼ - 1¾	2⅛ - 1⅞	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2¼
Canadian Dollar	4⅞ - 4⅞	5⅛ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛	5¼ - 5⅛
US Dollar	5½ - 5⅜	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	5⅝ - 5¾	5⅝ - 5⅞
Italian Lira	5⅛ - 4⅞	5⅛ - 4⅞	4⅞ - 4¾	4⅞ - 4¾	4¾ - 4½	4¾ - 4⅝
Japanese Yen	½ - ⅛	½ - ⅜	⅝ - ½	⅝ - ½	¾ - ⅝	⅝ - ⅝
Asian $Sing	¼ - -	4¼ - 3¾	5¾ - 5¼	6 - 5¾	6 - 5¼	6¼ - 5¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.31	94.31	-	94.31	94.31	27,764	505,767
Dec	94.28	94.28	-	94.30	94.28	42,462	402,641
Mar	94.34	94.33	-	94.36	94.33	58,669	340,263

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.97	-	94.98	94.97	357	4,408
Dec	-	95.03	-	-	-	3	210
Mar	-	95.04	-	-	-	3	11

All Open interest figs. are for previous day

■ POUND IN NEW YORK

Jul 17	— Close —	— Prev. close —
£ spot	1.6450	1.6395
1 mth	1.6425	1.6370
3 mth	1.6371	1.6315
1 yr	1.6145	1.6087

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

■ OTHER CURRENCIES

Jul 17	£	$
Czech Rp	51.6547 - 51.7551	31.4910 - 31.5330
Hungary	355.355 - 355.769	216.640 - 216.760
Iran	4923.90 - 4920.90	3000.00 - 3000.00
Kuwait	0.5028 - 0.5032	0.3065 - 0.3066
Peru	4.7602 - 4.7680	2.9020 - 2.9050
Poland	5.6492 - 5.6567	3.4440 - 3.4465
Russia	10.1813 - 10.1906	6.2070 - 6.2090
U.A.E.	6.0243 - 6.0287	3.6727 - 3.6731

BANK RETURN

The Bank Return table can be found on page 30 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.24	4.846	1.927	4777	5.463	20.43	495.8	411.5	21.49	4.086	1.652	4.033	2.710	378.3	2.453
Denmark	(DKr)	54.17	10	8.798	2.625	1.044	2588	2.959	11.07	268.6	222.9	11.64	2.213	0.895	2.185	1.468	204.9	1.329
France	(FFr)	61.57	11.37	10	2.984	1.187	2941	3.363	12.58	305.3	253.4	13.23	2.516	1.017	2.483	1.669	232.9	1.510
Germany	(DM)	20.64	3.810	3.352	1	0.398	985.8	1.127	4.216	102.3	84.93	4.435	0.843	0.341	0.832	0.559	78.07	0.506
Ireland	(I£)	51.89	9.578	8.427	2.514	1	2479	2.834	10.60	257.2	213.5	11.15	2.120	0.857	2.093	1.406	196.3	1.273
Italy	(L)	2.093	0.386	0.340	0.101	0.040	100	0.114	0.428	10.38	8.615	0.450	0.086	0.035	0.084	0.057	7.919	0.051
Netherlands	(Fl)	18.31	3.379	2.973	0.887	0.353	874.5	1	3.740	90.76	75.34	3.934	0.748	0.302	0.738	0.496	69.25	0.449
Norway	(NKr)	48.95	9.036	7.950	2.372	0.943	2338	2.674	10	242.7	201.4	10.52	2.000	0.808	1.974	1.326	185.2	1.201
Portugal	(Es)	20.17	3.724	3.276	0.977	0.389	963.6	1.102	4.121	100	83.01	4.335	0.824	0.333	0.814	0.547	76.30	0.495
Spain	(Pta)	24.30	4.486	3.946	1.177	0.468	1161	1.327	4.964	120.5	100	5.222	0.993	0.401	0.980	0.659	91.92	0.596
Sweden	(SKr)	46.53	8.590	7.557	2.255	0.897	2223	2.542	9.506	230.7	191.5	10	1.901	0.769	1.877	1.261	176.0	1.141
Switzerland	(SFr)	24.47	4.518	3.975	1.186	0.472	1169	1.337	5.000	121.3	100.7	5.260	1	0.404	0.987	0.663	92.58	0.600
UK	(£)	60.55	11.18	9.833	2.934	1.167	2892	3.307	12.37	300.2	249.2	13.01	2.474	1	2.442	1.641	229.0	1.485
Canada	(C$)	24.79	4.577	4.027	1.201	0.478	1184	1.354	5.065	122.9	102.0	5.328	1.013	0.410	1	0.672	93.79	0.608
USA	($)	36.90	6.812	5.993	1.788	0.711	1763	2.016	7.539	182.9	151.9	7.930	1.508	0.609	1.488	1	139.6	0.905
Japan	(Y)	26.43	4.880	4.293	1.281	0.509	1263	1.444	5.401	131.1	108.8	5.681	1.080	0.437	1.066	0.716	100	0.648
Ecu	-	40.76	7.525	6.620	1.975	0.786	1947	2.227	8.328	202.1	167.8	8.761	1.666	0.673	1.644	1.105	154.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5617	0.5633	+0.0012	0.5637	0.5601	46,875	90,543
Dec	0.5638	0.5662	+0.0012	0.5662	0.5632	57	661
Mar	-	0.5687	+0.0012	-	-	62	70

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6693	0.6699	-0.0009	0.6700	0.6654	15,395	90,033
Dec	0.6721	0.6746	-0.0009	0.6755	0.6720	20	426
Mar	-	0.6801	-0.0009	-	0.6785	3	17

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7197	0.7223	+0.0021	0.7286	0.7185	25,544	104,258
Dec	0.7292	0.7317	+0.0020	0.7326	0.7292	92	1,488
Mar	-	0.7419	+0.0019	-	-	1	1,834

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6342	1.6408	+0.0054	1.6410	1.6336	5,174	35,034
Dec	1.6270	1.6332	+0.0054	1.6334	1.6270	3	980
Mar	-	1.6258	+0.0052	1.6210	-	3	3

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.630	1.94	2.36	2.71	0.73	1.38	2.07
1.640	1.34	1.80	2.24	1.14	1.84	2.51
1.650	0.86	1.35	1.80	1.70	2.41	3.09

Previous day's vol., Calls 10 Puts 10. Prev. day's open int., Calls 1,314 Puts 14,361.

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.550	1.35	-	1.83	0.13	0.28	0.40
0.555	0.98	1.24	1.50	0.23	0.40	0.55
0.560	0.66	0.93	1.20	0.40	0.58	0.75

Previous day's vol., Calls 280 Puts 103. Prev. day's open int., Calls 4,270 Puts 8,258

BENCHMARK GOVERNMENT BONDS

Jul 17	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.2587	5.15	+0.08	-0.07	-0.26	-0.10
	08/08	8.750	124.5965	5.50	+0.05	+0.06	-0.04	-1.05
Austria	02/00	5.875	103.3600	4.08	+0.39	+0.25	+0.04	+0.17
	01/08	5.000	101.1400	4.84	+0.03	+0.07	-0.05	-0.75
Belgium	01/00	4.800	100.0100	3.98	+0.09	-0.01	-0.12	+0.35
	03/08	5.750	108.4700	4.89	+0.08	+0.07	-0.06	-0.74
Canada	03/00	5.500	99.8500	5.25	-0.04	+0.08	+0.09	+0.72
	06/08	6.000	104.5500	5.40	+0.04	+0.14	+0.09	-0.53
Denmark	11/00	9.000	109.9805	4.38	+0.13	+0.14	+0.05	+0.19
	11/07	7.000	115.0400	4.94	-	+0.05	-0.09	-1.15
Finland	01/99	11.000	103.3892	3.82	-0.03	+0.01	-0.13	-0.14
	04/08	6.000	108.5580	4.87	+0.10	+0.13	-	-0.96
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jul 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8¼ - 5	7⅝ - 7⅛	7⅞ - 7⅝	7⅞ - 7¾	7⅞ - 7⅝	7⅞ - 7⅝
Sterling CDs	-	-	7⅞ - 7⅝	7⅞ - 7⅝	7¾ - 7⅝	7⅞ - 7¾
Treasury Bills	-	-	7½ - 7⅜	7½ - 7⅜	-	-
Bank Bills	-	-	7⅝ - 7⅝	7⅝ - 7⅝	7⅝ - 7⅝	-
Local authority deps.	7⅝ - 7	7¼ - 7⅛	7⅞ - 7⅝	7¾ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝
Discount Market deps	7½ - 7¼	7¼ - 7⅛	-	7¼	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Jul 17, 7.1327pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1998. Agreed rate for period Jul 26, 1998 to Aug 25, 1998, Scheme III 8.57pc. Reference rate for period May 30, 1998 to Jun 30, 1998, Schemes IV & V 7.741pc. Finance House Base Rate 8pc from Jul 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 17	Jul 10		Jul 17	Jul 10
Bills on offer	£100m	£100m	Top accepted rate	7.1396%	7.1797%
Total of applications	£711m	£769m	Ave. rate of discount	7.1327%	7.1595%
Total allocated	£100m	£100m	Average yield	7.2618%	7.2897%
Min. accepted bid	£98.220	£98.210	Offer at next tender	£100m	£100m
Allotment at min. level	73%	100%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	●Singer & Friedlander	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	●Smith & Williamson	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	Sun Bank	7.50
Banco Bilbao Vizcaya	7.50	●Guinness Mahon	7.50	TSB	7.50
Bank of Cyprus	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Ireland	7.25	●Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of India	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Scotland	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Barclays Bank	7.50	Hongkong & Shanghai	7.50		
Brit Bk of Mid East	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.50	Julian Hodge Bank	7.50		
Citibank NA	7.50	●Leopold Joseph & Sons	7.50		
Clydesdale Bank	7.50	Lloyds Bank	7.50		
The Co-operative Bank	7.50	Midland Bank	7.50		
Coutts & Co	7.50	NatWestminster	7.50		
Cyprus Popular Bank	7.50	●Rea Brothers	7.50		
Duncan Lawrie	7.50	Royal Bk of Scotland	7.50		
		Scottish Widows Bank	7.50		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 15½pc '98	[illegible]	-.1	835	Mr30 Se30	23.3	1308
Exch 12pc 1998	[illegible]	-.1	3,909	My20 Nv20	11.5	1258
Treas 9½pc 1999	[illegible]	—	1,900	Jy15 Ja15	6.7	1347
Treas Fltg Rate 1999	[illegible]	—	5,700	[illegible]	8.6	4045
Exch 12¼pc 1999	[illegible]	-.1	3,050	Se26 Mr26	23.3	1264
Treas 10½pc 1999	[illegible]	-.1	1,292	Nv19 My19	11.5	1266
Treas 6pc 1999	[illegible]	—	6,950	Fe10 Au10	2.2	3935
Conv 10¼pc 1999	[illegible]	—	1,796	My22 Nv22	18.5	1242
Treas 10pc 2004	[illegible]	-.1	23	[illegible]	[illegible]	[illegible]
Funding 3½pc 1999-4	[illegible]	-.1	543	[illegible]	[illegible]	[illegible]
Conv 9½pc 2004	[illegible]	-.2	3,412	[illegible]	[illegible]	[illegible]
Treas 6¾pc 2004	[illegible]	-.2	6,500	[illegible]	[illegible]	[illegible]
Conv 9½pc 2005	[illegible]	-.3	4,842	[illegible]	[illegible]	[illegible]
Exch 10½pc 2005	[illegible]	-.3	23	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	[illegible]	-.2	2,500	[illegible]	[illegible]	[illegible]
Treas 8½pc 2005	[illegible]	-.3	10,373	[illegible]	[illegible]	[illegible]
Conv 9¾pc 2006	[illegible]	-.3	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Other Fixed Interest

[illegible]

صكذا من الاصل

هكذا من الأصل

EURO PRICES

EQUITIES

Hunt for Japan's PM to set tone

EUROPEAN OVERVIEW

Martin Dickson,
Financial Editor

Japan's hunt for a new prime minister and congressional testimony by Alan Greenspan, chairman of the US Federal Reserve, are expected to be important influences on European equity markets this week.

Analysts believe the yen could make further progress against the dollar if Seiroku Kajiyama, the former Japanese cabinet secretary who is promising major surgery in the financial sector, looks like emerging as victor in the race to lead the Liberal Democratic Party. However, Japanese Government bonds could suffer from fears of a flood of deficit-financing paper hitting the market.

In the US, a strong influence on Treasuries will be Mr Greenspan's testimony.

Diminishing anxiety over Asia and strength on Wall Street pushed many European equity markets to new highs on Friday, with the FTSE Eurotop 100 index closing at a record 3053.94, up 32.94 points. The broader Eurotop 300 index closed up 13.37 at 1320.33.

There has been little recent progress in the money and bond markets in the convergence expected to take place before the year-end among countries joining monetary union in the first wave.

The FT's Eurozone currency convergence table, which calculates forward interest rates for the year-end from forward currency rates, shows Ireland's differential against Germany around 2.20, with Italy around 1.00 and Spain around 0.60.

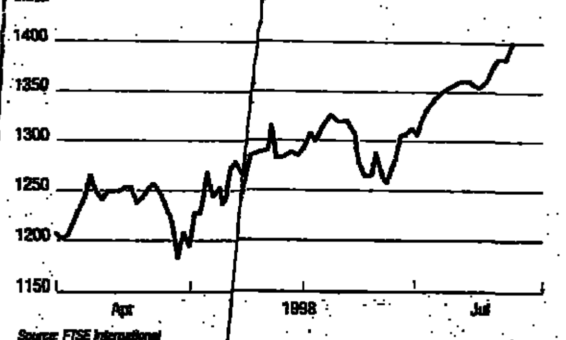
In each case that is substantially greater than at the start of May, when the EU set "Euro in" bilateral exchange rates for the year end. On May 4, the Irish interest rate differential was 1.62, while Italy was 0.72 and Spain was 0.34.

In 10 year bonds there has also been some increase in yield spreads between German bloc countries and Emu peripherals.

London Bond Broking argues that factors behind the trend in bonds could be market scepticism over Emu; a belief that bunds may prove the Emu benchmark, producing greater liquidity in that market, justifying wider spreads; and differing views of country credit risk.

Eurotop 300 Eurobloc

Index



Source: FTSE International

THREE MONTH EURO FUTURES (FFE) Ecu in points of 100%

[illegible]

THREE MONTH EURO OPTION (FFE) Ecu in points of 100%

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

OTHER INDICES

[illegible]

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

July 17 National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1320.33	+1.02	+13.37	2.18	19.06	1351.77
FTSE Eurotop 100	3053.94	+1.09	+32.94	2.17	25.13	1088.42
FTSE Ebloc 100	1121.58	+1.11	+12.36	1.86	12.23	1135.03
FTSE Eurotop 300 Regions						
Eurobloc	1400.25	+1.04	+14.43	1.87	18.42	1426.24
UK	1193.69	+0.79	+9.35	2.76	21.84	1237.07
Europe Ex-Eurobloc	1253.48	+1.00	+12.45	2.52	18.74	1286.89
Europe Ex-UK	1392.78	+1.13	+15.63	1.91	17.48	1415.78
FTSE Eurotop Industry Sectors						
RESOURCES	988.95	+0.45	+4.52	2.90	20.25	1023.31
Extractive Industries	845.30	+1.54	+12.83	3.08	0.00	845.30
Oil, Integrated	953.22	+0.47	+4.45	2.90	13.44	966.53
Oil, Exploration & Prod	918.88	-2.43	-22.91	2.65	0.00	918.88
GENERAL INDUSTRIES	1293.40	+0.46	+5.90	2.26	18.01	1316.59
Construction	996.78	-2.18	-22.22	2.59	11.06	1008.38
Building Matls & Merchs	1052.58	-0.38	-4.03	2.52	7.65	1059.91
Chemicals	1086.38	-0.24	-2.61	2.59	15.96	1103.66
Diversified Industrials	1067.67	+0.89	+9.40	2.07	16.20	1084.49
Electronic & Elect Equip	1139.03	+0.75	+8.49	1.60	3.25	1142.60
Engineering	1079.27	+0.75	+7.99	3.07	8.46	1088.10
Paper, Pckg & Printing	962.51	+0.58	+5.53	2.46	1.21	963.70
CONSUMER GOODS	1217.58	+1.31	+15.76	1.60	13.49	1245.27
Automobiles	1190.79	+0.37	+4.38	2.16	8.23	1199.80
Alcoholic Beverages	1032.99	+0.35	+3.58	2.13	5.82	1039.19
Food Producers	1087.20	+1.62	+17.34	1.55	8.79	1095.42
Household Goods & Texts	1117.68	+1.46	+16.04	1.67	7.01	1124.98
Healthcare	1071.24	+1.95	+20.50	6.03	9.52	1082.13
Pharmaceuticals	1022.30	+1.32	+13.28	1.31	2.07	1024.45
Tobacco	1182.02	+0.95	+11.17	3.62	1.81	1184.24
SERVICES	1300.04	+1.27	+16.31	2.09	16.29	1328.70
Distribution	1001.78	-0.13	-1.30	2.17	11.37	1013.03
Leisure & Hotels	990.56	+0.33	+3.25	2.52	8.12	998.47
Media	1095.91	+1.59	+17.15	2.10	3.92	1100.03
Retailers, Food	1076.45	+1.54	+16.29	2.80	9.18	1086.50
Retailers, General	1042.02	+0.02	+0.16	3.29	13.17	1055.42
Telecommunications	1194.44	+1.61	+18.95	1.75	7.38	1203.10
Breweries, Pubs & Rests	970.40	+1.10	+10.58	3.09	8.69	979.18
Support Services	1087.69	+1.92	+20.48	0.92	5.66	1093.89
Transport	1130.51	+0.91	+10.18	2.16	10.96	1142.30
Information Technology	1263.24	+1.28	+16.01	0.32	2.23	1266.12
UTILITIES	1431.78	+0.83	+11.85	3.12	53.32	1509.27
Electricity	1067.37	+0.21	+2.20	3.33	26.23	1095.87
Gas Distribution	1163.27	+1.41	+16.12	1.60	84.81	1270.40
Water	1088.49	+3.10	+32.77	4.75	38.72	1130.06
FINANCIALS	1504.01	+1.24	+18.49	2.22	20.97	1536.65
Banks,Retail	1078.93	+1.34	+14.23	2.75	8.20	1087.87
Insurance	1126.13	+1.07	+11.97	1.18	8.25	1135.53
Life Insurance	1211.16	+1.73	+20.63	1.73	3.19	1215.18
Other Financial	1082.70	+1.20	+12.83	1.85	13.23	1096.99
Investment Companies	1072.87	+0.15	+1.56	2.33	20.68	1092.93
Property	805.36	-2.35	-19.39	3.36	16.01	820.16

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FTSE EUROTOP 300

ALCOHOLIC BEVERAGES · AUTOMOBILES · BANKS · BUILDING MATERIALS & MERCHANTS · BREWERIES, PUBS & RESTAURANTS · CHEMICALS · CONSTRUCTION · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQPT. · ENGINEERING · EXTRACTIVE INDUSTRIES · FOOD PRODUCERS · GAS DISTRIBUTION · HEALTH CARE · HOUSEHOLD GOODS & TEXTILES · INFORMATION TECHNOLOGY · INSURANCE · INVESTMENT COMPANIES · LEISURE & HOTELS · LIFE INSURANCE · MEDIA · OIL, EXPLORATION & PRODUCTION · OIL, INTEGRATED · OTHER FINANCIAL · PAPER, PACKAGING & PRINTING · PHARMACEUTICALS · PROPERTY · RETAILERS, FOOD · RETAILERS, GENERAL · SUPPORT SERVICES · TELECOMMUNICATIONS · TOBACCO · TRANSPORT · WATER

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES & MONEY

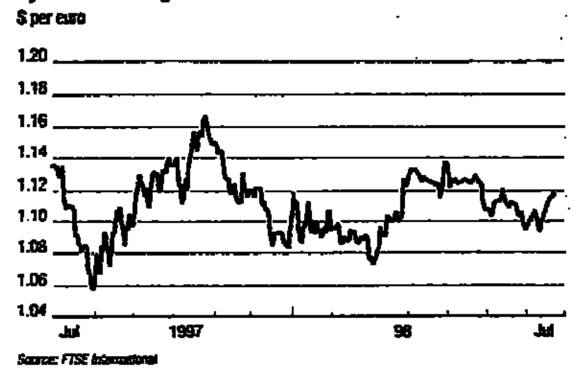
FT SYNTHETIC EURO RATES

Jul 17	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.065473	-0.0020	-0.01	-0.0011	-0.01
Belgium	BEF	41.258870	+0.0168	+0.04	+0.0228	+0.06
Czech Republic	CZK	35.234404	-0.4200	-1.18	-0.4623	-1.30
Denmark	DKK	7.616566	-0.0016	-0.02	+0.0030	+0.04
Finland	FIM	6.077465	-0.0012	-0.02	-0.0005	-0.01
France	FRF	6.700932	+0.0010	-0.01	-0.0013	-0.02
Germany	DEM	1.999322	-0.0003	-0.01	-0.0001	-0.01
Greece	GRD	331.636336	-1.2515	-0.38	-0.7648	-0.23
Hungary	HUF	242.298024	-0.2947	-0.12	+0.4128	+0.17
Ireland	IEP	0.795212	-0.0001	-0.01	+0.0005	+0.06
Italy	ITL	1971.005537	-0.6568	-0.03	-0.0233	+0.00
Luxembourg	LUF	41.258870	+0.0168	+0.04	+0.0228	-0.06
Netherlands	NLG	2.253808	-0.0001	+0.00	-0.0001	+0.00
Norway	NOK	8.429221	-0.0214	-0.25	-0.0524	-0.62
Poland	PLN	3.852281	-0.0080	-0.21	+0.0278	+0.73
Portugal	PTE	204.550072	+0.0917	+0.04	+0.0192	+0.01
Romania	ROL	9702.543176	+50.3861	+0.52	+146.7730	+1.54
Russia	RUB	6.941330	+0.0158	+0.23	+0.0753	+1.10
Slovakia	SKK	39.020380	-0.0280	-0.07	+0.3074	+0.79
Spain	ESP	169.798699	+0.1327	+0.08	+0.0876	+0.05
Sweden	SEK	8.866967	-0.0178	-0.20	-0.0043	-0.05
Switzerland	CHF	1.665798	+0.0063	+0.38	-0.0040	-0.24
United Kingdom	GBP	0.681498	+0.0000	+0.01	+0.0079	+1.17
ECU	ECU	1.012240	+0.0000	+0.00	+0.0011	+0.11
Americas						
Brazil	BRL	1.299039	+0.0025	+0.19	+0.0226	+1.77
Canada	CAD	1.684108	+0.0039	+0.24	+0.0386	+2.38
Mexico	MXN	9.855727	-0.0068	-0.07	+0.0069	+0.07
United States	USD	1.118127	+0.0023	+0.20	+0.0185	+1.68
Pacific/Middle East/Africa						
Australia	AUD	1.792629	+0.0136	+0.77	-0.0061	-0.34
Hong Kong	HKD	8.663804	+0.0176	+0.20	+0.1425	+1.67
Japan	JPY	156.079286	+0.1272	+0.08	+1.0592	+0.68
Singapore	SGD	1.907524	+0.0352	+1.88	+0.0090	+0.47
South Africa	ZAR	7.158010	+0.2489	+3.60	+0.0799	+1.13

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1623, NLG 0.0577, BEF 0.0388, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

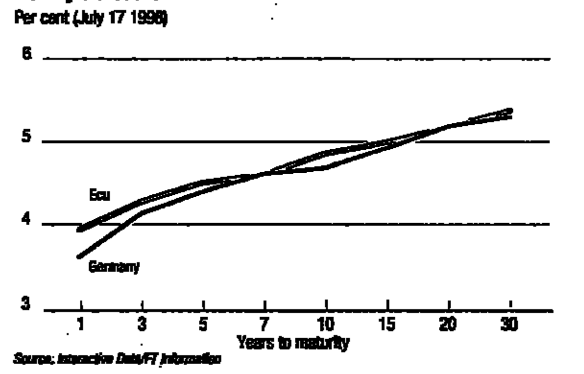
Jul 17	Fixed rate	Market rate	Diff fxd v mkt%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0351	-0.01	+0.00	7.0387	3.66	+0.05
Belgium	20.6255	20.6364	+0.05	-0.01	20.6424	3.67	+0.06
France	3.35386	3.3516	-0.07	-0.05	3.3519	3.63	+0.02
Finland	3.04001	3.0398	-0.01	-0.01	3.0404	3.65	+0.04
Ireland	0.402676	0.3977	-1.24	-1.30	0.4017	5.83	+2.22
Italy	990.002	965.8369	-0.42	-0.43	990.244	4.6	+0.99
Luxembourg	20.6255	20.6364	+0.05	-0.01	20.6424	3.67	+0.06
Netherlands	1.12674	1.1273	+0.05	+0.05	1.127	3.55	-0.06
Portugal	102.505	102.3097	-0.19	-0.21	102.5581	4.15	+0.54
Spain	85.0722	84.9281	-0.17	-0.23	85.176	4.25	+0.64
Germany	1		+0.00	+0.00		3.61	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes: forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (July 17 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Jul 17	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	106.470	4.89	+0.00	-0.10	+0.03
France (Rep of)	04/08	5.250	N/A	103.350	4.81	+0.00	-0.07	-0.05
Italy (Rep of)	05/08	5.000	AA	100.550	4.93	+0.00	-0.08	+0.07
Portugal (Rep of)	06/08	5.375	AA-	103.480	4.92	+0.01	-0.08	+0.06
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	101.130	4.59	-0.01	-0.13	+0.09
Gen Electric Cap Crp	10/04	5.500	AAA	104.360	4.67	+0.02	-0.11	+0.12
Oest Kontrollbank	04/08	5.250	AAA	102.170	4.96	-0.01	-0.07	+0.10
Cred Local de France	04/08	5.250	AA+	101.210	5.09	-0.02	-0.09	+0.23
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	101.600	4.41	+0.01	-0.14	+0.14
Cred Foncier France	03/04	8.375	A	115.620	5.11	+0.00	-0.15	+0.56
Euro Inv Bank	04/04	5.250	AAA	104.000	4.44	-0.02	-0.12	-0.11
ABN Amro Hldg. NV	04/07	6.375	AA-	108.200	5.18	-0.01	-0.10	+0.38

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Jul 17	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	-0.07	-0.04	+0.08	+0.01	+0.02	+0.04
Belgium	-0.05	-0.03	+0.09	+0.05	+0.06	+0.10
Finland	-0.13	-0.01	+0.10	+0.02	-0.30	-0.49
France	-0.13	-0.09	-0.05	-0.04	-0.02	-0.03
Germany	-0.21	-0.10	+0.01	-0.18	+0.01	-0.06
Ireland	+0.71	-0.01	+0.08	+0.12	+0.14	+0.30
Italy	+0.25	+0.15	+0.17	+0.12	+0.15	+0.19
Luxembourg	-0.05	-0.03	+0.09	+0.05	+0.06	+0.10
Netherlands	-0.10	-0.09	-0.01	-0.08	+0.03	-0.06
Portugal	+0.12	+0.10	+0.18	+0.12	+0.35	+0.37
Spain	+0.00	+0.06	+0.12	+0.12	+0.20	+0.31
"OUTs"						
Denmark	+0.20	+0.14	+0.20	+0.10	+0.08	+0.21
Greece	+6.40	+4.17	+3.39	+2.70	+2.38	+2.19
Sweden	+0.13	+0.10	+0.18	+0.08	+0.11	-0.08
UK	+2.75	+1.66	+1.42	+0.93	+0.55	+0.13

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Jul 17	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.01	+0.00	+0.03
France Telcom	AA+	11/06	6.250	FRF	+0.16	+0.16	+0.15
Halifax	AA	07/07	5.625	DEM	+0.17	+0.19	+0.20
Ing Bank NV	AA-	01/08	5.500	NLG	+0.15	+0.18	+0.19
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.32	+0.31	+0.32
Cred Foncier	A	02/03	7.250	DEM	+0.31	+0.32	+0.36
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.35	+0.36	+0.32
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.32	+0.32	+0.28
Bank of China	BBB	07/99	7.125	DEM	+0.58	+0.90	+0.71
Natl Bk of Hungary	BBB-	08/01	9.000	ATS	+0.63	+0.68	+0.62
Korea Dev Bank	BB+	11/02	5.625	FRF	+5.79	+5.81	+4.94
Argentina	N/A	04/08	8.125	XEU	+3.18	+3.20	+3.25

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk's ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Anglo Am Ind R		£10⅞	-2.6	0555c	2.7	809.9	26.8	-
Barlow R	♣	£21¼	5.6	0124c	2.6	685.4	8.12	-
Gold Fds Prop R		91	—	065c	1.2	9.30	1.9	-
SA Breweries R		£12⅞	6.0	0330c	2.0	3,640	1.6	-
Standard Bank R		228½	—	0434c	-	3,426	25.8	-
Tiger Oats	†	580	3.9	0159c	2.8	678.8	8.6	-
Tongaat-Hulett R		485¼	-2.6	0142c	2.6	480.8	8.12	-

TRADED INDEX SECURITIES

	Notes	Price	Wk's ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
FTSE 100 TRAINS		£5780bd	—	-	-	-	24.11	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as those shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Non incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate: cover based on previous year's earnings.

z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xcd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Downing Milcare Protected VCT (InCo), Dresdner RCM Inc Growth, do Zero div pf, Advance Dev Mkts Tst (InTr), Benchmark Cnv Ln (Prop), JSB Software (AIM). Deletions: Hollas (HseG), Precious Mtls Australia, Eastwood (Extn), Savoy Hotel (LeH), Home Counties (Med).

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BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Prices for dealing July 17

Jupiter Asset Management (Bermuda) Ltd

[illegible]

Newport Investment Management

[illegible]

Orion Fund Limited

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

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هكذا من الأصل.

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

American Phoenix Investment Portfolios (a)

Foreign & Colonial Portfolios Fd Sicav(z)

Morgan Stanley Sicav

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Finexco International Ltd

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

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هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 17 / Sch)

BELGIUM/LUXEMBOURG (Jul 17 / Frs.)

CZECH REP (Jul 17 / Koruna)

DENMARK (Jul 17 / Kr)

FINLAND (Jul 17 / Mks)

FRANCE (Jul 17 / Frs.)

GERMANY (Jul 17 / Dm.)

GREECE (Jul 17 / Drachma)

ITALY (Jul 17 / Lire)

NETHERLANDS (Jul 17 / Fls.)

NORWAY (Jul 17 / Kroner)

POLAND (Jul 17 / Zloty)

		+/-	High	Low	Yld	P/E
Bkdny	73.50	+2.50	73.50	39.70	1.9	8.3
Ekdrm	52.50xd	+.50	54.50	28	0.4	67.3
Exbud	47	+1.10	49	26.40	—	27.5
Mostl	28.90	+.90	34.10	19.20	—	18.4
WBK	30.50	+.50	33.50	17.80	1.2	17.7
Wlcznk	13.60	—	20.50	12.70	5.1	5.0
Zywiec	460xd	+15	495	214	0.5	—

PORTUGAL (Jul 17 / Escudo)

SPAIN (Jul 17 / Pts.)

SWEDEN (Jul 17 / Kronor)

SWITZERLAND (Jul 17 / Frs.)

TURKEY (Jul 17 / TK Lira)

PACIFIC

JAPAN (Jul 17 / Yen)

AUSTRALIA (Jul 17 / Aus$)

HONG KONG (Jul 17 / H.K.$)

INDONESIA (Jul 17 / Rupiah)

MALAYSIA (Jul 17 / MYR)

NEW ZEALAND (Jul 17 / NZ $)

SINGAPORE (Jul 17 / S$)

SOUTH KOREA (Jul 16 / Won)

TAIWAN (Jul 17 / TW $)

THAILAND (Jul 17 / Baht)

AMERICAS

CANADA

TORONTO (Jul 17 / Can $)

4 pm close

MONTREAL (Jul 17 / Can $)

4 pm close

MEXICO (Jul 17 / Peso)

12:30 pm

AFRICA

SOUTH AFRICA (Jul 17 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 17 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY JULY 16 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	203.99	1.9	184.33	179.88	189.63	216.30	5.8	3.71	204.94	185.55	181.05	190.93	216.10	240.60	173.27	231.49
Austria (23)	237.68	25.7	214.77	209.72	220.95	220.78	25.0	1.53	235.81	213.51	208.33	219.69	219.52	253.73	181.60	203.15
Belgium (22)	392.69	54.3	354.85	346.50	365.05	357.35	53.7	1.92	390.41	353.49	344.91	363.72	355.85	392.71	234.33	254.68
Brazil (26)	238.80	0.1	215.79	210.71	221.99	510.69	4.2	2.00	234.13	211.98	206.84	218.12	500.73	309.20	184.94	280.82
Canada (120)	231.77	9.1	209.44	204.51	215.46	249.78	13.5	1.63	231.37	209.49	204.40	215.55	249.27	248.78	199.10	220.34
Denmark (34)	536.83	18.9	484.91	473.50	498.85	497.17	19.3	1.30	536.88	486.10	474.30	500.18	498.52	536.88	375.32	421.25
Finland (28)	492.76	78.9	445.27	434.79	458.07	582.09	78.6	1.83	482.41	436.78	426.18	449.43	551.52	492.76	267.59	314.06
France (79)	343.86	43.7	310.72	303.41	319.65	323.25	43.1	1.95	340.64	308.42	300.93	317.35	320.83	343.86	217.48	231.78
Germany (58)	322.70	40.7	291.60	284.74	299.98	299.88	39.9	1.11	319.34	289.13	282.11	297.50	297.50	322.70	204.89	233.51
Greece (37)	323.08	0.0	291.94	285.07	300.33	696.91	0.0	1.37	317.88	287.81	280.83	296.15	679.80	323.08	260.24	–
Hong Kong, China (56)	249.19	–30.2	225.17	219.87	231.64	247.89	–30.2	6.32	249.44	225.85	220.37	232.39	248.15	580.03	218.78	530.78
Indonesia (27)	34.17	–48.3	30.88	30.15	31.77	281.95	28.6	2.38	33.81	30.62	29.87	31.50	272.78	239.46	23.58	239.46
Ireland (16)	549.93	37.0	496.93	485.24	511.22	551.09	38.8	1.76	548.15	496.31	484.26	510.68	550.47	560.44	359.80	374.84
Italy (54)	181.83	54.5	164.30	160.44	169.03	239.37	54.1	1.23	177.87	161.05	157.14	165.71	234.72	181.83	95.46	105.42
Japan (480)	95.24	–0.1	86.06	84.04	88.54	84.04	7.3	0.94	95.40	86.37	84.28	88.87	84.28	138.03	83.04	138.03
Malaysia (106)	116.82	–28.9	105.56	103.08	108.60	184.90	–25.0	3.41	113.77	103.01	100.51	105.99	178.55	479.63	107.51	465.49
Mexico (29)	1507.05	–16.4	1361.82	1329.76	1400.96	14523.88	–8.6	1.87	1498.45	1356.71	1323.79	1396.01	14480.33	1901.98	1278.19	1720.24
Netherlands (20)	550.52	34.3	497.47	485.76	511.77	506.48	33.5	1.85	542.98	491.62	479.69	505.86	500.58	550.52	385.56	423.79
New Zealand (14)	87.42	–11.8	60.93	59.49	62.69	67.81	–3.0	4.49	66.29	60.02	58.56	61.76	66.71	95.87	58.33	91.58
Norway (38)	315.34	–1.3	284.95	278.25	293.15	322.87	1.0	1.94	308.92	279.70	272.91	287.80	317.55	374.84	281.82	325.87
Philippines (22)	74.06	–6.8	66.94	65.36	68.86	158.57	–2.6	1.11	74.32	67.29	65.66	69.24	154.83	153.54	57.54	146.88
Portugal (17)	295.59	0.0	267.10	260.82	274.78	370.12	0.0	0.94	293.84	266.05	259.59	273.75	368.52	299.39	261.25	–
Singapore (42)	152.07	–32.5	137.42	134.18	141.37	119.55	–31.6	2.52	152.15	137.75	134.41	141.74	117.64	390.51	133.81	376.54
South Africa (40)	225.17	–15.2	203.47	198.68	209.32	314.98	11.6	2.85	231.89	209.96	204.86	216.04	313.73	381.55	213.50	361.46
Spain (31)	417.38	53.6	377.16	368.28	388.00	480.17	53.0	1.58	409.98	371.20	362.20	381.86	472.26	417.38	236.28	262.86
Sweden (48)	623.46	32.8	563.38	550.12	579.57	731.93	32.7	1.60	615.88	557.63	544.10	573.78	725.98	623.46	439.98	511.32
Switzerland (28)	432.12	26.8	390.48	381.29	401.70	403.91	31.1	1.03	424.32	384.18	374.86	395.31	395.93	432.12	285.85	318.04
Thailand (38)	15.74	–18.4	14.23	13.89	14.63	24.91	–30.9	3.69	14.56	13.18	12.86	13.56	22.87	65.78	11.66	63.74
United Kingdom (203)	395.97	19.4	357.81	349.39	368.09	357.81	19.7	2.78	391.80	354.74	346.13	365.01	354.74	401.84	303.41	323.63
USA (628)	485.88	22.6	439.06	428.72	451.68	485.88	22.6	1.33	484.81	438.95	428.30	451.66	484.81	485.88	358.31	377.53
Americas (803)	437.03	21.4	394.91	385.62	406.26	369.90	21.7	1.35	435.99	394.75	385.17	406.18	369.02	437.03	326.79	345.29
Europe (737)	382.60	32.3	345.73	337.59	355.67	363.04	32.5	1.89	377.84	342.10	333.80	352.01	359.15	382.60	265.25	284.31
Eurobloc (348)	112.10	0.0	113.84	117.61	112.68	112.68	0.0	1.54	110.67	112.61	116.25	111.46	111.47	112.10	99.54	–
Nordic (149)	550.46	33.5	497.41	485.70	511.71	563.13	33.6	1.58	543.64	492.22	480.27	506.48	558.06	550.46	388.51	437.88
Pacific Basin (887)	101.31	–4.3	91.55	89.39	94.18	89.63	1.7	1.66	101.43	91.83	89.61	94.49	89.74	155.24	88.45	155.24
Euro-Pacific (1604)	218.55	18.9	197.49	192.84	203.17	192.85	22.1	1.82	216.63	196.14	191.38	201.82	191.41	218.55	172.03	209.12
North America (748)	469.20	22.0	423.88	414.00	436.17	469.82	22.2	1.34	468.17	423.89	413.60	436.16	468.79	469.20	349.06	367.82
Europe Ex. UK (534)	362.28	39.5	327.36	319.68	336.77	354.18	39.7	1.47	357.45	323.64	315.78	333.01	350.02	362.28	236.79	256.56
Europe Ex. Eurobloc (389)	103.06	0.0	104.66	108.13	103.57	104.62	0.0	2.25	101.81	103.59	106.95	102.54	103.50	103.06	94.53	–
Europe Ex. UK Ex. Eurobloc (186)	107.80	0.0	109.47	113.10	108.34	109.37	0.0	1.24	106.17	108.03	111.53	106.93	107.78	107.80	95.88	–
Pacific Ex. Japan (387)	163.55	–18.4	147.79	144.31	152.03	199.44	–16.2	4.55	163.42	147.97	144.37	152.25	168.59	316.59	142.99	305.88
World Ex. Eurobloc (2098)	103.08	0.0	93.15	90.95	95.82	104.39	0.0	1.57	102.72	93.08	90.74	95.69	104.04	103.08	93.25	–
World Ex. US (1819)	220.33	18.3	199.10	194.41	204.82	199.27	20.9	1.83	218.52	197.85	193.05	203.58	197.81	220.33	175.30	212.89
World Ex. UK (2244)	297.42	20.6	268.76	262.43	276.46	274.46	22.0	1.43	296.09	268.08	261.58	275.85	273.31	297.42	234.24	259.81
World Ex. Japan (1967)	410.33	23.2	370.79	362.06	381.44	405.16	23.7	1.64	407.95	369.36	360.40	380.06	402.95	410.33	309.33	330.48
The World Index (2447)	305.82	20.5	276.35	269.85	284.29	282.09	21.8	1.57	304.26	275.48	268.80	283.48	280.78	305.82	241.30	265.30

 CONSTITUENT CHANGES DURING THE WEEK ENDING 17/7/98: Deletion: Waste Management (USA). Name change: USA Waste Services to Waste Management, Inc. (USA). CONSTITUENT CHANGE WITH EFFECT 20/7/98: Addition: Banco Portugues do Atlantico (Large Cap) (100% weighting) (Sub-sector 112) (Portugal).

Emerging markets: IFC investable indices

Dollar terms

Jul 16 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	1,019.96	+0.1	–8.6
Brazil	462.86	+1.9	–4.1
Chile	539.83	+2.0	–16.0
Colombia[1]	515.31	+0.5	–37.6
Mexico	640.24	+1.2	–16.8
Peru[2]	201.43	–2.3	–9.0
Venezuela[3]	485.75	+5.3	–46.9
East Asia			
China[4]	31.98	+0.3	–42.2
Korea[5]	28.92	+5.8	+20.3
Philippines	103.92	–0.3	–7.8
Taiwan, China[6]	124.34	+1.3	–11.9
South Asia			
India[7]	72.84	+3.3	–12.6
Indonesia[8]	16.35	+12.1	–51.4
Malaysia	62.80	+1.1	–31.1
Pakistan[9]	92.01	+9.6	–63.0
Sri Lanka[10]	86.95	–0.8	–25.3
Thailand	44.63	+5.7	–5.1
Europe/Mideast/Africa			
Czech Rep	56.76	+0.2	+3.7
Egypt	73.14	–0.5	–21.6
Greece	575.73	+2.8	+77.7
Hungary[11]	329.55	+0.2	+4.7
Israel	122.66	–0.5	+0.8
Jordan	228.37		+8.6
Morocco	163.67	+1.0	+25.6
Poland[12]	771.93	–1.7	+29.4
Portugal	328.40	+0.5	+55.6
Russia	69.32	–6.1	–53.4
S Africa[13]	164.46		–8.5
Slovakia	61.62	+0.9	–37.9
Turkey[14]	293.02	+2.5	–6.1
Zimbabwe[15]	239.14	–0.8	–5.0
Regions			
Composite	220.40	+1.2	–10.4
Latin America	583.37	+1.3	–13.9
Asia	87.75	+2.8	–18.6
EMEA	147.27	+0.2	–0.3
Europe	198.07	+0.4	+5.1
Eastn Europe	98.42	–2.9	–29.9
ME & Africa	67.42	–0.0	–5.7

Base data: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close July 17

NEW YORK STOCK EXCHANGE PRICES

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9337.97	9328.19	9234.47	9337.97 (17/7)	7580.42 (9/1)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.35	106.08	105.17	105.48 (15/1)	104.42 (11/9)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3485.58	3525.08	3548.21	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	291.89	292.31	290.87	295.40 (6/7)	262.68 (9/1)	295.40 (6/7/98)	10.53 (8/7/32)

DJ Ind. Day's High 9412.64 (9398.36) Low 9258.95 (9173.15) (Theoretical) Day's high 9354.71 (9332.31) Low 9310.17 (9206.15) (Actual)

Standard and Poors	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1186.75	1183.99†	1174.81	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials	1380.48	1377.83	1365.65	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial	147.04	148.33	145.89	147.89 (14/7)	110.65 (9/1)	147.89 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	600.75	599.99	595.49	600.75 (17/7)	487.47 (9/1)	600.75 (17/7/98)	4.84 (25/4/42)
Amex Comp	736.23	731.81	730.39	753.67 (22/4)	646.41 (12/1)	753.67 (22/4/98)	324.20 (16/7/98)
NASDAQ Cmp	2008.76	2000.56	1994.54	2008.76 (17/7)	1503.22 (9/1)	2008.76 (17/7/98)	54.87 (3/10/74)
Russell 2000	462.36	463.84	461.98	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.38 (7/12/88)

RATIOS

	Jul 10	Jul 3	Jun 26	Year ago
Dow Jones Ind. Div. Yield	1.61	1.58	1.60	1.63

	Jul 15	Jul 8	Jul 1	Year ago
S & P Ind. Div. yield	1.25	1.26	1.27	1.50
S & P Ind. P/E ratio	32.73	32.41	32.09	25.78

US DATA

MARKET ACTIVITY

NYSE TRADING ACTIVITY

ACTIVE STOCKS

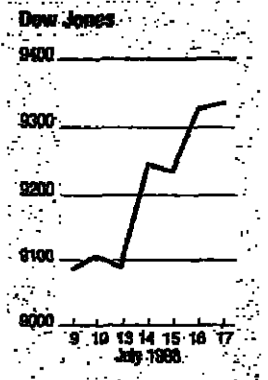
Friday: Caterpl, Compaq, Hilton, TdbaA, Pepsico, Gillette, Chrysler, EMC, AMR, GenElec

NASDAQ TRADING ACTIVITY

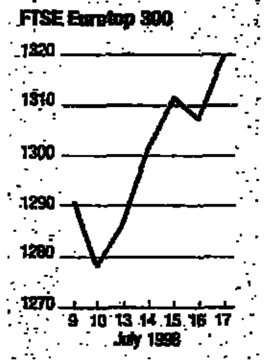
ACTIVE STOCKS

Friday: Micsft, DellComp, HBO & Co, SunMic, Intel, CiscoSys, Sybase Inc, SunSysADR, WrldCom, Oracle

Dow Jones



FTSE Eurotop 300



JAPAN

	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16570.78	16731.92	16614.14	17264.34	14664.44	38915.9	85.25

Day's high: 16732.07. Day's low: 16569.78

TOKYO TRADING ACTIVITY — Volume : 398,000,000

Active stocks Friday	Stocks traded	Close price	Day's change
LgTrnCr	8,401,000	62	
NpStl	8,787,000	261	-3
SumTrB	6,967,000	509	-19
Sakura	5,969,000	355	-5
Mblny	5,808,000	670	-8
DaiwaSc	5,571,000	627	+2
Toshiba	4,912,000	590	+1
HsoMt	4,468,000	478	+1
BTokMt	4,409,000	1550	+1
Hazeko	4,381,000	65	-8

Biggest movers Friday	Close price	Day's change	Day's chge %
Ups			
Tky Tekko	125	+15	+13.6
Yamamn	580	+65	+12.6
Odky Rl Est	280	+30	+12
ASK Corp	205	+19	+10.2
Meiko	2190	+190	+9.5
Aichi Tk Dk	280	+24	+9.4
Downs			
Toyo Wh & W	227	-23	-9.2
Hazeko Cp	65	-6	-8.5

FRANCE

	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4388.48	4358.13	4344.30	4388.48	2862.54	4388.48	984.61

Day's high: 4395.04 Day's low: 4373.35

PARIS TRADING ACTIVITY — Volume : 372,918,500

Active stocks Friday	Stocks traded	Close price	Day's change
SanzLy	1,602,095	1090	+30
Axa	1,257,118	830	+28
Usinor	1,117,735	87.2	-1.3
FrTele	1,108,521	418.7	+1.5
Paribas	911,949	665	+4
STMicro	705,951	404.5	-21.5
RhonPA	676,590	327.2	-1.6
Lgardr	658,150	268.5	+3
Rhodia	543,572	167	+1.6
Mcblin	523,484	385	+8.8

Biggest movers Friday	Close price	Day's change	Day's chge %
Ups			
Geldias	202	+13	+6.9
Chrgrs	428.9	+16.4	+4.0
Crlow	3899	+136	+3.6
SocGen	1450	+50	+3.6
Downs			
Dollus	138.2	-10.3	-7.0
STMicro	404.5	-21.5	-5.0
Parib.	327	-11.1	-3.3
BIC	428	-12.8	-2.9

GERMANY

	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	6147.87	6094.02	6108.24	6147.87	4087.28	6147.87	931.18

Day's high: 6167.51. Day's low: 6114.05

FRANKFURT TRADING ACTIVITY — Volume : 17,815,539

Active stocks Friday	Stocks traded	Close price	Day's change
Siemens	4,825,258	133.5	+4.4
Daimlr	1,059,000	173.95	+0.2
Cmmrzbk	874,079	78	+1.7
Bayer	818,026	80	+0.4
Dt Tel	598,885	54.8	+1.2
Dt Bk	585,841	156.65	+4.45
BASF	580,898	89.05	+0.25
Veba	575,113	119	+2
Deutz	486,884	26.15	+1.2
DresBk	453,043	105.2	+2.6

Biggest movers Friday	Close price	Day's change	Day's chge %
Ups			
BHF Bk	88.6	+5.8	+7.5
Deutz	28.15	+1.2	+4.8
Strbag	123.5	+5.5	+4.7
Hritz	90	+3	+3.4
Downs			
Drgwrk	38	-3.2	-7.8
WellaPf	1990	-60	-2.9
RhenmPf	53.5	-1.5	-2.7
Krnbr	836	-21	-2.5

UK

	Jul 17	Jul 16	Jul 15	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	6174.0	6116.8	6151.5	6174.00	5069.80	6174	986.9

Day's high: 6177.3. Day's low: 6113.4.

LONDON TRADING ACTIVITY — Volume : 734,000,000

Active stocks Friday	Stocks traded	Close price	Day's change
Intl Pb Rl	13,623,940	66	+16½
Shell T&T	12,790,280	420¼	+5¾
BT	12,604,840	820	+13
TLG	10,502,250	117	+2
Tesco	8,939,653	194	+2
Signet	8,470,495	45¾	+½
SmithBchm	8,123,817	788	+20
Thomson Trvl	8,083,314	190	
Reed Int.	7,740,304	442	+1
Lloyds TSB	7,471,733	840	+17

Biggest movers Friday	Close price	Day's change	Day's chge %
Ups			
Int.Pub.Rel	66	+16½	+33.3
ISA Intl	63½	+13	+25.7
Radius	52½	+10½	+25
Sleepy Kids	18	+3½	+24.1
Downs			
S.E.A. Mkt	5	-1	-16.7
Gresham Hse	25½	-5	-16.4
BKS Res.	7	-1	-12.5
LLP Grp	257½	-30	-10.4

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
OMX							
Jul	818.00	823.00	+8.75	823.75	817.50	15,348	68,068
Aug	822.50	826.00	+8.25	826.00	821.40	13,284	67,336
SOFFEX							
Jul	8175.0	8265.3	+140.5	8265.7	8152.1	3,587	15,341
Aug	8170.0	8320.0	+170.0	8335.0	8167.0	7,740	17,596

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 20

Asean ministers gather

Foreign affairs officials arrive in Manila for the Association of South-east Asian Nations' (Asean) 31st ministerial meeting and fifth regional forum. Domingo Siazon, Philippine foreign secretary and host of the nine-day gathering of Asian and western representatives, describes it as an "incomparable opportunity" to tackle the regional economic crisis.

Asian delegates, who will be joined by US secretary of state Madeleine Albright and her counterparts from Russia, Canada, and the EU, will also address problems of transnational crime, nuclear proliferation, and Cambodia. Cambodia will hold national elections on Sunday and is struggling towards Asean membership.

Diplomats expect Asean's nine members to move informally towards greater intervention in each others' internal affairs – despite opposition from Burma and Vietnam – and to protest formally about recent nuclear tests by India and Pakistan.

UK transport white paper

The British government is due to present its long-awaited transport white paper, heralding a shift away from the motorist and towards public transport. It is expected to include proposals to charge motorists to drive into crowded city centres and a tax on work site parking spaces. Both measures would be introduced gradually, however, and they are likely to be the responsibility of local rather than of central government.

EU farm ministers meet

European Union farm ministers meeting in Brussels are likely to voice strong concerns about plans to begin talks on a free trade agreement with Latin American countries grouped together in the Mercosur pact. The French have said they want to discuss the issue even though the European Commission, the EU's executive, has yet to propose that talks begin. They fear farm prices would fall sharply under a free trade pact. Germany is also among countries sceptical about the benefits of a deal.

Santas converge

The 35th Santa Claus World Congress takes place in Copenhagen attended by more 100 Father Christmas imitators from 10 nations. To July 22.

Holiday

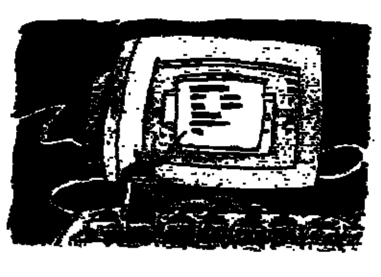
Colombian independence.
Japan (Marine Day).

TUESDAY 21

Internet Society agenda

The Internet Society, which groups internet enterprises and users worldwide, holds its annual conference in Geneva to July 24. While the conference agenda ranges far and wide over internet issues, from "global cyberculture" to encryption and future technologies, the main focus of outside interest will be separate high-level discussions about a new system for allocating internet addresses or domain names. The US has called for the establishment of a non-profit international corporation to manage the address system once the monopoly of a private US company, Network Solutions, ends on October 1.

Africa's biggest birthday bash – a week-long party moving from Durban to Johannesburg, with music by many international artists – celebrates the 80th birthday of Nelson Mandela



Annan visits Mexico

Kofi Annan, the UN secretary-general, leaves Guatemala, where the UN brokered a peace accord between Maya Indian guerrillas and the government, for Mexico, where bishops and human rights groups want the United Nations to play a similar role in order to end a four-year-old Zapatista uprising in Chiapas. The guerrillas involved in the Chiapas uprising were also recruited from Mexico's disgruntled Maya Indian population. The Mexican government, however, has politely rejected any suggestions of UN mediation. Mr Annan will have to tread carefully to avoid upsetting his Mexican hosts.

Fed chairman's outlook

Federal reserve chairman Alan Greenspan will give his closely watched Humphrey-Hawkins testimony to the Senate banking committee regarding the outlook for the US economy.

Mr Greenspan will repeat the testimony on Wednesday to the House. Recent performances by the Fed chairman have suggested that he remains sanguine about economic prospects, even though he has warned that the rapid growth that the US economy has enjoyed for the past two years may prove unsustainable.

But growth has slowed in the last few months and the markets are expecting Mr Greenspan to signal no early change in Fed monetary policy.

WHO head takes the helm

Dr Gro Harlem Brundtland, former Norwegian premier, takes the helm of the World Health Organisation for the next five years.

Dr Brundtland, who wants to make campaigns against tobacco and malaria her special priorities, will also today announce a radical shake-up of the top management of the Geneva-based UN agency.

Nine executive directors in charge of WHO divisions will replace the present more hierarchical structure which comprises a deputy and assistant directors-general.

Most of the nine, to be named today, have been recruited from outside the WHO, including appointments from the private sector.

Ukraine visit by Gore

US vice-president Al Gore arrives in Kiev at the start of four days of discussions in Ukraine and Russia. He will hold talks with Ukrainian leaders and will visit the Chernobyl nuclear reactor that exploded in 1986, moving on to Russia on Thursday. In Moscow, Mr Gore is expected to meet prime minister Sergei Kiriyenko, and will lay some of the groundwork for President Bill Clinton's prospective summit with President Boris Yeltsin in September.

Holiday

Belgium National Day.

THURSDAY 23

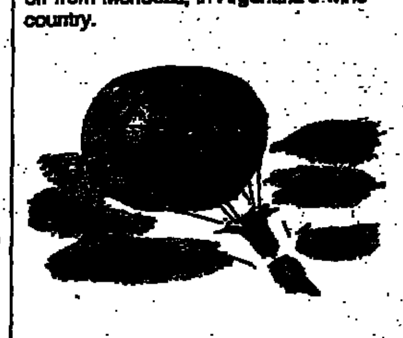
WTO disputes meeting

The dispute settlement body of the World Trade Organisation meets in Geneva. On the crowded agenda are European Union proposals for reforming its banana import regime, which the US and Latin American producers have already condemned as against WTO rules, and a number of requests for dispute panels.

The European Union is asking for panels against Korea regarding dairy products, the US on tax breaks for exports, and Argentina on footwear. Brazil and Canada meanwhile are each asking for panels to investigate the other's aircraft subsidies. The DSB is also due to adopt a panel report condemning Indonesia's "national car" programme.

Balloon attempt

American balloonist Steve Fossett will make his second attempt this year to circumnavigate the globe when he takes off from Mendoza, in Argentina's wine country.



FRIDAY 24

Mandela is 80

Africa's birthday bash of the decade continues this week as music concerts will be held in different venues in South Africa in honour of President Nelson Mandela's 80th birthday last Saturday. The Gift to the Nation concerts follow a party in the Kruger National Park for 1,400 children in need last week and a banquet in Johannesburg over the weekend. The concerts feature musicians that cover a variety of tastes and styles. Africa is well-represented, notably by Youssou N'dour and Ismael Lo from Senegal, and by the South African reggae star Lucky Dube. British group Skunk Anansie, in South Africa for a second time after a sell-out tour last year, will also appear. The first of the concerts takes place at Durban's Kingsmead stadium today and the second takes place tomorrow at the Johannesburg athletic stadium.

China and WTO membership

The World Trade Organisation's working party on China's membership bid meets to review the state of the 11-year-old negotiations. Though China hopes to be inside the WTO by the time new global trade talks start at the end of 1999, the east Asian crisis and upheavals in China's state sector have dampened Beijing's enthusiasm for making the necessary concessions. WTO members are looking for further liberalisation in agriculture and services, especially financial services, telecommunications, and distribution.

Japanese LibDem's to vote

Japan's ruling Liberal Democratic party votes today to choose its party president. The winner will automatically become prime minister to replace Ryutaro Hashimoto who is stepping down after the defeat at the recent upper house elections. Keizo Obuchi, foreign minister, is seen as the leading candidate. Seiroku Kajiyama, former chief cabinet secretary, is his chief rival. Junichiro Koizumi, minister of health and welfare, is also likely to enter the race. A cabinet reshuffle is scheduled next week.

FT Survey

Private Finance Initiative.

Holiday

Venezuela.

SATURDAY 25

Albright in the Philippines

US Secretary of State Madeleine Albright visits the Philippines, Papua New Guinea, and Australia as part of an Asian tour to August 2. She will hold talks in Manila to coincide with the ASEAN annual meeting. She travels to Papua New Guinea on July 29 for a brief stop en route to Australia.

SUNDAY 26

Cambodians go to the polls

Cambodia holds a general election. Japan will send a 30-member team to monitor the elections, under a Japanese-sponsored peace plan which paved the way for Cambodia's ousted co-premier Prince Norodom Ranaridh – convicted in March in his absence by a Cambodian court of crimes against national security – to be granted a royal pardon in order to return to his homeland to contest the election.

Edited by Martin Mulligan
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ECONOMIC DIARY

Other economic news

Tuesday: Alan Greenspan, chairman of the US Federal Reserve, delivers his Humphrey-Hawkins testimony to the Senate finance committee. As inflation pressures seem to have receded, Mr Greenspan's evidence may be more even-handed.

Wednesday: Retail sales in the UK for June should reflect the effect of last month's poor weather on consumer spending. Consensus forecasts are for a monthly fall of 0.6 per cent, but some are predicting an even worse performance. In France the government announces its 1999, post-European monetary union, fiscal measures.

Thursday: Household consumption in France likely to show an increase in June from the World Cup's boost to the economy. June's growth may be well above the previous month's 6.3 per cent annual increase.

Friday: The first estimate of second-quarter gross domestic product figures for the UK published, with a weak result suggesting the end of the UK's growth cycle and a peak in interest rates as the economy slows.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Jun M4*	0.5%	0.5%
Jul 20	UK	Jun M4**	9.2%	9.2%
	UK	Jun M4 lending	£4.0bn	£4.4bn
	UK	Jun vehicle production		8.7%
	Canada	May wholesale trade†*	0.5%	1.3%
	Japan	Jul who'sale price index, 1st 10 days		-0.2%
Tues	Germany	Jun Ifo West Business Climate Index	98.5	98.7
Jul 21	Germany	Jun Ifo West balance format		2.5
	US	Jun housing starts	1.55m	1.58m
	US	Jun building permits		1.55m
	Canada	May retail sales†*	0.5%	1.0%
	US	BTM-Schroders July 18		-1.0%
	Japan	Jun trade bal* (customs cleared nott)	Y1.37tn	Y959bn
Weds	France	May industrial production†*	0.4%	-0.5%
Jul 22	France	May ex-energy*	0.4%	-0.7%
	UK	Jun retail sales*	-0.6%	1.7%
	UK	Jun retail sales**	3.2%	4.6%
	Italy	Jul 11 cities consumer price index**	1.9%	1.8%
	US	Jun treasury budget	$50.8bn	-$38.8bn
Thurs	Japan	May coincident index	20.0%	10.0%
Jul 23	Japan	May leading differential index	33.3%	11.1%
	France	Jun household consumption†*	0.0%	0.4%
	UK	May global visible trade	-£2.1bn	-£1.4bn
	UK	Jun ex-EU visible trade	-£1.2bn	-£1.6bn
	US	Initial claims Jul 18	329k	336k

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	State benefits Jul 11	[illegible]	[illegible]
	Canada	May inter'nal securities transactions	[illegible]	[illegible]
Fri	France	May trade balance†	[illegible]	[illegible]
Jul 24	UK	Q2 prelim' gross domestic product*	[illegible]	[illegible]
	UK	Q2 prelim' gross domestic product**	[illegible]	[illegible]
	UK	Jun EU harmonised cons' price index	[illegible]	[illegible]
During the week...				
	Germany	Jun Icon consumer climate	[illegible]	[illegible]
	Germany	Jun M3 from Q4 97 base	[illegible]	[illegible]
	Germany	Jun M3 from Q4 96 base	[illegible]	[illegible]
	Germany	[illegible]	[illegible]	[illegible]
	Germany	May capital account [illegible]	[illegible]	[illegible]
	Germany	Jun producer price index [illegible]	[illegible]	[illegible]
	Germany	Jun producer price index [illegible]	[illegible]	[illegible]
	Japan	[illegible] supermarket sales [illegible]	[illegible]	[illegible]
	Japan	[illegible] department store sales [illegible]	[illegible]	[illegible]
	Germany	[illegible]	[illegible]	[illegible]
	Germany	Jul [illegible] cost of living [illegible]	[illegible]	[illegible]
	Germany	Jun import prices [illegible]	[illegible]	[illegible]
	Germany	Jun import prices [illegible]	[illegible]	[illegible]
	Italy	Jun total bank lending [illegible]	[illegible]	[illegible]
	Germany	Jul prel' cost of living [illegible]	[illegible]	[illegible]
	Germany	Jul prel' cost of living [illegible]	[illegible]	[illegible]
	Japan	[illegible] trade balance [illegible]	[illegible]	[illegible]

*month on month, **year on year [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	[illegible]

MONDAY PRIZE CROSSWORD
No.9,738 Set by GRIFFIN

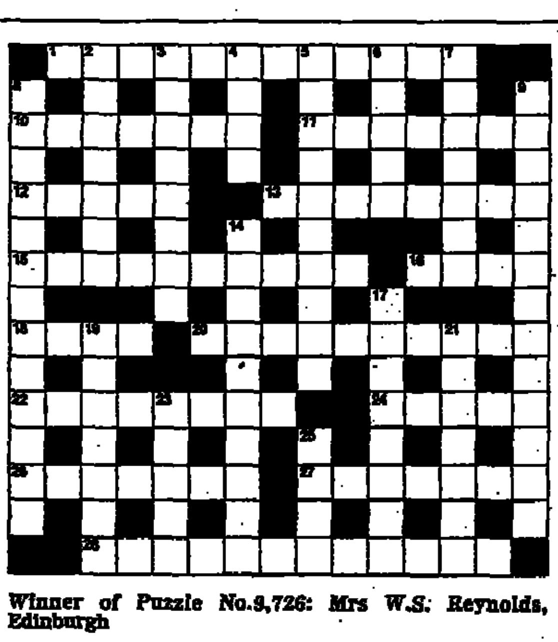
A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday July 30, marked Monday Crossword 9,738 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 3. Please allow 28 days for delivery of prizes.

Name...

Address...

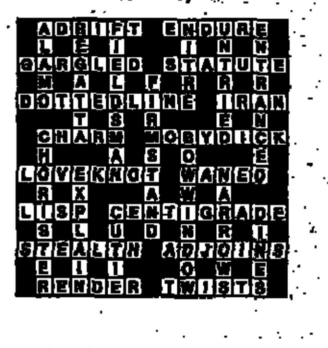
ACROSS
1 Books used before examination, meant for revision (3,9)
10 Cured drunk (7)
11 Ease silly rules about "e" before "i" (7)
12 Climbing plants one strives to find (5)
13 Force tightlipped men to move in (8)
15 Since on night working is free (3,7)
16 Hoe for very small back yard? (4)
18 Bag being penny short causes cry of pain! (4)
20 Peers loved becoming builders (10)
22 Overlooking a quarrel is unusual for a hoarder (8)
24 Dance round to record (5)
26 Gas bombs, etc. in a new form (7)
27 Throw stick out (7)
28 Books fresh examination before lunch – about ten (3,9)

DOWN
2 Like RUC reorganisation, more successful (7)
3 Speak about work making rattles with spring (4,4)
4 Drink up as holding a party (4)
5 Spread a roll supervised by a versatile person (3-7)
6 Deport divorcee that is about fifty (5)
7 Guardian of big plant taking us to tea, say (7)
8 First of the month? Could be tricky! (5,5,3)
9 Holiday wear MD rushes bra to model (7,6)
14 Each seek mixture to go in church tart (10)
17 One boring court has broken word to Frenchman (8)
19 Man-about-town needing driver, perhaps, and staff (7)
21 Oriental church festival never ever missed (7)
23 Repeat "Irene went inside" (5)
25 Ends up with a spadeful (4)



Winner of Puzzle No.9,726: Mrs W.S. Reynolds, Edinburgh

Solution 9,726



JOTTER PAD

هكذا من الأصل